

**STATE OF IOWA**  
**BEFORE THE IOWA UTILITIES BOARD**

<b>IN RE:</b>  <b>INTERSTATE POWER AND LIGHT COMPANY</b>	<b>DOCKET NO. RPU-2010-0001</b>
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**COMPLIANCE FILING**

**COMES NOW**, Interstate Power and Light Company (IPL) and, pursuant to the Iowa Utilities Board (Board) Final Decision and Order of January 10, 2011, in Docket No. RPU-2010-0001, submits the following report detailing: (i) IPL's actions relating to the transmission planning process; and (ii) IPL's collaborations with other stakeholders on managing its relationship with ITC Midwest, LLC:

1. Pursuant to the Board's January 10, 2011, order in Docket No. RPU-2010-0001, page 142, IPL was required to provide the following:
  5. IPL will be required to file semi-annual reports, with the first report being due June 30, 2011, and subsequent reports every six months thereafter, detailing its review, suggestions, and input to such things as ITC Midwest's transmission planning and budgeting processes and any FERC interventions or proceedings, including an evaluation of the long-term impact of those transmission plans on IPL and its ratepayers, as detailed in the body of this order. The report shall include what impact, if any, IPL's input has had on the transmission planning process.
  6. IPL shall file a report of its semi-annual collaborations with other parties on how IPL can better manage its processes and relationships with ITC Midwest and FERC, with the first report being due June 30, 2011, and subsequent reports every six months thereafter.

As with its initial June 30, 2011, filing in response to these requirements, IPL has combined the content for each requirement into this filing.

2. IPL hereby provides to the Board in this instant filing its semi-annual updates, included as Attachment A, as required by Docket No. RPU-2010-0001.

3. IPL is willing to provide additional information or meet with Board staff to provide clarification or further discussion on this status report of its transmission-related activities.

**WHEREFORE**, IPL respectfully requests the Board accept the attached documents in compliance with the requirements of the aforementioned docket.

Dated this 22<sup>nd</sup> day of December, 2016.

Respectfully submitted,

Interstate Power and Light Company

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## **Semi-Annual Report to the Iowa Utilities Board Regarding Transmission-Related Activities**

Interstate Power and Light Company

December 22, 2016



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## Executive Summary

Beginning in 2008, after the sale of Interstate Power and Light Company (IPL) transmission facilities to ITC Midwest, LLC (ITC-M), and expanding in 2011 with direction from the Iowa Utilities Board (Board or IUB), an exchange of information and ideas related to transmission policy, planning and operations between IPL, ITC-M, and interested stakeholders began and continues to date. This, the twelfth semi-annual report, reflects the strong working relationship that continues between IPL, ITC-M, regulators, customers, and others, with a shared focus on transparency, prudence and cost of transmission investment for IPL customers.

IPL actively continues to oversee and engage in near and long-term transmission policy, planning and operations to ensure a reliable, cost-effective transmission system in partnership with ITC-M that creates long-term value for IPL customers. IPL is focused on opportunities to identify and secure transmission benefits, maintain and improve ITC-M service levels, and balance ITC-M cost impacts to IPL customers with the benefits provided. IPL continues to advocate on behalf of its customers with ITC-M, Midcontinent Independent System Operator, Inc. (MISO), and the Federal Energy Regulatory Commission (FERC), and engage in and influence regulatory policy at the local, regional and federal levels through dialogue and participation in regulatory proceedings. IPL is actively engaged in MISO committees, task forces and working groups that oversee and implement the MISO transmission planning process, transmission cost allocation policy, and generation interconnection rules and procedures.

IPL also continues to focus on exchanging information and ideas and collaborating with its customers and other interested stakeholders related to transmission policy, planning and operations. IPL and ITC-M work together on day-to-day operations and customer service activities as well as short and long-term planning. IPL staff within engineering, planning, energy markets, finance, and regulatory affairs and policy, among other areas within the company, engage in a variety of transmission-related matters and support activities and work including:

- Proactively obtaining, reviewing and analyzing information needed to inform IPL customers about current and future transmission investments, costs and rates, gathering information from sources including the MISO Transmission Expansion Plan (MTEP), ITC-M's rate-related postings, financial and regulatory reports and filings, and investor relations information;
- Hosting two transmission-related meetings with customers and other interested stakeholders each year;
- Providing information on its transmission-related costs included in its Regional Transmission Service (RTS) charge on Alliant Energy's website and specific bill inserts on transmission annually;
- Working with customers and interested stakeholders including the Board, Iowa Office of Consumer Advocate (OCA), Large Energy Group (LEG), Iowa Business Energy Coalition (IBEC) and others to advocate at FERC for changes that affect transmission policy and costs.

This Semi-Annual Transmission Report (Report) focuses on new and continued issues, actions, and results since the last Report filed with the Board on June 30, 2016 (June 2016 Report). Notable activity and results include:

- Bonus Depreciation: Following IPL and stakeholder engagement, FERC required ITC-M to not opt out of bonus depreciation for tax purposes. ITC-M is currently adjusting rates for 2015 and subsequent years to include the impact from bonus depreciation.

However, ITC has filed a petition for review of FERC's Orders with the U.S. Court of Appeals and a request for a Private Letter Ruling (PLR) from the Internal Revenue Service (IRS) to determine whether applying bonus depreciation, per FERC's Orders, would cause a normalization violation. The U.S. Court of Appeals is holding the proceeding—to review FERC's Orders—in abeyance until the PLR is issued.

- Transmission Return on Equity (ROE): FERC Order issued September 28, 2016 (Complaint 1) will reduce the MISO-wide transmission ROE and, by extension, ITC-M's total ROE by more than 100 basis points. ITC-M reduced its Attachment O transmission rate beginning in October 2016 and will provide refunds for rates previously charged to its customers starting in 2017.
- Marshalltown Generating Station (MGS): MGS has currently obtained 500 MW of energy resource interconnection service (ERIS) and network resource interconnection service (NRIS) for the 2017-2018 MISO Planning Year. IPL continues to work with MISO in evaluating alternatives to enable IPL to accredit capacity of more than 500 MW for the 2017 – 2018 MISO Planning Year and subsequent years, until completion of all Network Upgrades (including MTEP assumptions listed in the Generation Interconnection Agreement (GIA) Exhibit A10).
- Transmission Cost Allocation: IPL is participating in the MISO Regional Expansion Criteria Benefits Working Group (RECBWG) to provide input on cost allocation methodologies including proposed changes to methodologies. IPL's focus is to ensure that transmission costs allocated to IPL or ITC-M's transmission pricing zone are appropriate and fair and do not harm IPL customers.
- Transmission System Reliability: IPL Transmission System Average Interruption Frequency Index (SAIFI) illustrates a continued improvement and maintained trend of 30% fewer outages, on average, since the transmission asset purchase by ITC-M.

The results noted in this Report demonstrate that IPL has, and will continue to, engage in and influence regulatory policy, MISO and FERC processes, and ITC-M through appropriate venues on behalf of its customers.

## Introduction

IPL submits this Report of its transmission-related activities, pursuant to the requirements of the Iowa Utilities Board's (Board) January 10, 2011, Final Decision and Order in Docket No. RPU-2010-0001, which conditionally allowed IPL to implement an automatic recovery mechanism for transmission costs (Regional Transmission System (RTS) Rider). This Report provides details of IPL's activities in and results from managing its processes and relationship with ITC-M and influencing the transmission service levels and cost impacts to IPL customers. This report focuses on the following areas, with particular emphasis on activities and results since the June 2016 Report:

1. ITC-M Relationship Management;
2. Review, Analysis of and Response to ITC-M Dockets at the Board;
3. FERC Transmission Activity and IPL Engagement;
4. MISO Activity and IPL Engagement;
5. IPL and ITC-M's Joint Project Planning;
6. IPL Analysis of ITC-M and MISO Rates;
7. Transmission Outage Performance and Operations Coordination;
8. Stakeholder Informational Meeting; and
9. Timetable of Events Influencing Transmission Rates & Service.

Within this Report, as was the focus of previous reports, IPL is specifically responding to Board expectations that IPL "...improve its processes and relationships with ITC Midwest..." and "...provide semi-annual Reports detailing its review, analysis, suggestions, and input to such things as ITC Midwest's transmission planning and budgeting process and any FERC interventions or proceedings, and what impact IPL's input has had."

Further, the Board required "...IPL to collaborate with other interested parties on at least a semi-annual basis. The IUB envisions these collaborations to be an opportunity for other parties to offer suggestions to IPL on how it can better manage its processes and relationships with ITC Midwest..."

In this Report, IPL continues to emphasize results it has achieved on behalf of its customers. This Report addresses the most significant new and continued issues, actions and results affecting transmission service and cost since the June 2016 Report. The Report does not necessarily address *all* activity or previously reported items. However, some background information from prior reports is selectively retained herein to provide continuity and context. Significant results since the June 2016 report are generally reported under "December 2016 Updated Results and Activity" within each section.

IPL is continuing to include in this Report analysis on changes to ITC-M rates, their drivers and reasonableness in the context of value for IPL's customers.

IPL's goal is to provide access to a reliable, cost-effective electric transmission system that creates long-term value for IPL customers. IPL's approach to managing transmission to achieve this goal includes:

- Providing benefits to IPL customers through effective and purposeful planning of, and investment in, the transmission system;
- Advocating for appropriate transmission costs to IPL customers that align with benefits provided;
- Engaging and informing stakeholders regarding transmission management approach and implementation; and
- Maintaining effective management oversight of and engagement in transmission activities, including regional and federal regulatory and policy venues to address key transmission issues.

IPL advocates for customer interests with ITC-M, MISO, and FERC and actively engages with large customers, interveners, the Iowa Office of Consumer Advocate (OCA) and the Board in stakeholder meetings and other forums.



## **1. ITC-M Relationship Management**

IPL staff interfaces with ITC-M to manage the overall relationship with ITC-M and to coordinate activities and work with ITC-M. Interactions occur at all levels within IPL and between IPL and ITC-M. These interactions support activities such as transmission outage coordination and planning, transmission and distribution system construction and maintenance, planning for future work and projects, outage investigation, generation interconnection and retirement planning, and coordination and communication with IPL customers. IPL staff interfaces with their functional counterparts at ITC-M to manage issues of common interest to serve customers better. IPL executives also have periodic contact with ITC-M executives to discuss customer service, financial, planning, operational, regulatory, and customer cost issues.

IPL and ITC-M use committees and work teams comprised of IPL and ITC-M representatives to work together on activities and issues. These committees and work teams augment the routine, on-going interactions between IPL and ITC-M operations, planning, engineering, projects, regulatory and stakeholder relations staff. Planning and project committees typically meet monthly to coordinate transmission and distribution planning and projects respectively. IPL and ITC-M regulatory and stakeholder relations staff also meet approximately once per quarter to discuss state and federal regulatory and stakeholder relations issues of mutual interest.

IPL staff also participates on internal committees and work teams that focus on IPL-related transmission issues. IPL uses a team of internal stakeholders representing key functional areas including energy markets, transmission and distribution planning, engineering and operations, state and federal regulatory affairs and policy, legal, and financial planning and analysis to provide oversight and direction to IPL's overall transmission strategy and relationship management with ITC-M. This includes monitoring developments with, and directing responses to ITC-M, FERC, MISO and the Board regarding events, issues, processes and regulatory policies that impact ITC-M rates and ultimately the cost to IPL customers. This team of stakeholders also supports and coordinates IPL's participation in MISO, FERC, NARUC, EEI and state regulatory agency-hosted venues where transmission issues are discussed and debated.

IPL and ITC-M continue to coordinate well on operations and planning work and activities. IPL and ITC-M have disagreed on some policy, planning, and financial issues over time, many of which center on matters of potential increased transmission costs to IPL customers. However, these disagreements have not prevented IPL and ITC-M from continuing to work together to insure that IPL customers receive reliable and safe transmission service or to effectively collaborate when IPL and ITC-M have positions on policy and planning issues that are aligned.

## 2. **Review, Analysis of and Response to ITC-M Dockets at the Board**

IPL maintains an active and vocal engagement with ITC-M's regulatory activity in order to identify and participate in issues that could potentially affect transmission related benefits and rates to IPL customers. IPL regularly monitors filings made by ITC-M to the Board. IPL may support or object to an ITC-M docket, as warranted by the issues and details related to each docket, for reasons such as those described in the following:

- Support generally means the filings are for projects IPL views in the best interests of IPL customers, such as base reliability projects, 34.5 kV conversion projects, certain new facilities necessary to support new customers or customer expansions, North American Electric Reliability Corporation (NERC) compliance, and certain market efficiency projects providing economic benefits to IPL customers.
- Object to or With Comments generally applies to projects IPL believes are unnecessary for IPL customer reliability or inappropriately allocate costs to IPL customers.

IPL chooses its response on a case-by-case basis based upon the facts of the specific docket and whether other filings in these venues could have an impact on IPL customer transmission costs or service. Generally, IPL is looking at the following criteria for projects included in the docket when determining how to respond:

1. Support and safeguarding of local, regional and interconnection-wide power system reliability, generation operations and safety;
2. Benefits that are commensurate with costs;
3. Costs that align with beneficiaries;
4. Ability to reasonably support changing state and federal energy policy objectives and a changing generation resource mix;
5. Planned and initiated at the local and regional level based upon the needs of customers who bear the burdens and receive the benefits; and
6. Result from consideration of all viable solutions to address issues giving rise to project.

Through its Transmission Planning, Delivery System Planning and other resource areas, IPL performs a regular review of all new filings by ITC-M. IPL reviews all projects, starting at the planning level with ITC-M and continues throughout the various MISO and regulatory processes. IPL takes advantage of multiple opportunities to provide input and feedback to influence the reliability, efficiency or cost impact of these projects. Ultimately, IPL has the ability to intervene in the appropriate state regulatory process should it not be successful with influencing a project in the desired direction. Since IPL's June 2016 Report, IPL has reviewed 12 new dockets filed by ITC-M with the Board, and has provided letters of support to the Board in six of them. A summary of dockets in which IPL has provided letters of support to the Board is included in Table 1.

**Table 1 – ITC-M Filings with IUB, Acted on by IPL**  
June 16, 2016 – December 15, 2016

<b>Week Of</b>	<b>Docket No.</b>	<b>Short Description</b>	<b>IPL Action</b>	<b>Reason</b>
7/25/2016	E-22268	Iowa County: Parnell – Williamsburg 69kV	Support	Conversion
7/25/2016	E-22279	Wapello County: OGS – Zachary 345kV	Support	Conversion
10/24/2016	E-22310	Linn County: Covington – DAEC 69kV	Support	Conversion
12/12/2016	E-22327	Story County: Ames Mine – Ames Mine Tap	Support	Conversion
12/12/2016	E-22331	Mitchell County: St. Ansgar Ind Taps 69kV Transmission Line	Support	New Tap to IPL Substation
12/12/2016	E-22333	Story County: Gilbert Substation Tap 69kV	Support	Conversion

### **3. FERC Transmission Activity, IPL Engagement**

IPL monitors and participates in FERC proceedings that have the potential to impact our transmission costs or impair the transparency of the costs we incur. In its advocacy efforts at FERC, IPL supports transmission investment that provides benefits to customers through effective and purposeful planning, and seeks to ensure the proper alignment of costs with benefits. IPL generally supports FERC's transmission incentive policy but has advocated that FERC implement it in a more holistic rather than piecemeal manner.

#### **A. IPL Cost Increases Resulting from ITC-M's Bonus Depreciation Tax Treatment Opt Out (Docket Nos. ER16-206-000 *et al.* and ER15-1250-000 *et al.*)**

##### **Background:**

Bonus depreciation is the result of specific provisions in federal tax law that allows a corporation to deduct either 50 percent or 100 percent of a company's qualifying capital investments in the first year an investment is placed in-service for tax purposes. Bonus depreciation as a tax allowance has been in effect since 2008. The use of bonus depreciation for tax purposes lowers income taxes paid and, therefore, frees up cash that can be used as a source of capital at no cost. This reduces other sources of capital needed and the associated costs (for example, Return on Equity (ROE) applied to capital invested). The savings resulting from this no-cost source of financing are passed through to a utility's customers. Bonus depreciation significantly increases deferred tax liabilities. For utilities, deferred tax liabilities associated with bonus depreciation are required to be included in rate base, effectively reducing rate base and reducing customer costs. It is important to note that when bonus depreciation is utilized, it is done so on *all* capital investments within a given class of assets in a given year, not just selected projects. On December 18, 2015, as part of the "Protecting Americans from Tax Hikes [PATH] Act of 2015," Congress approved a five-year extension for bonus tax depreciation that includes a phase-out of bonus depreciation through 2020.<sup>1</sup>

<sup>1</sup> In general, for calendar years 2015, 2016, and 2017 50% bonus depreciation applies. In calendar year 2018, 40% bonus depreciation applies. In calendar year 2019 30% bonus depreciation applies. Certain projects, or portions thereof, started before 2020 may qualify for 30% bonus depreciation.

*IPL Engagement with ITC-M through MISO Formula Rate Protocols (ER15-1250-000)*

On March 11, 2016, FERC issued an order granting in part, and denying in part IPL's Formal Challenge (March 11 Order).<sup>2</sup> FERC agreed with IPL that ITC-M had imprudently chosen to opt out of bonus depreciation, and required ITC-M to recalculate its Attachment O transmission revenue requirements, effective January 1, 2015, to simulate the taking of bonus depreciation for eligible facilities in calendar year 2015. FERC found that IPL provided evidence that created a "serious doubt" as to the prudence of the additional costs incurred because of ITC-M's decision to opt out of bonus depreciation from 2010 to 2014, and resulted in an increase in ITC-M's revenue requirement for 2015, and therefore costs to IPL customers. The Commission did not, however, require ITC-M to amend its Attachment O transmission revenue requirement for years prior to calendar year 2015. In its decision, the Commission found that requiring ITC-M to take bonus depreciation in years prior to 2015 might constitute a normalization violation per Internal Revenue Service (IRS) rules and denied IPL's request to do so. In addition, the FERC declined to preclude ITC Midwest from opting out of use of bonus depreciation in future years in the absence of a filing with the Commission establishing a clear justification and documentation of the benefits to customers for doing so. FERC found that doing so would be improper because it would prematurely presume the imprudence of ITC Midwest's actions and would place the initial burden on ITC Midwest to establish prudence, rather than on its customers to raise a "serious doubt" of prudence.

On June 8, 2016, FERC issued an order that denied ITC-M's request for rehearing and IPL's request for reconsideration. FERC found that ITC-M indeed "improperly attempt[ed] to use the IRS normalization rules to shield from scrutiny [ITC-M]'s imprudent decision to opt out of bonus depreciation and its concomitant failure to operate with all reasonable economies" for 2015. Finally, FERC denied ITC-M's request to modify the March 11 Order to require the simulation of taking bonus depreciation no earlier than January 1, 2016. Because the PATH Act of 2015 was not signed into law until December 18, 2015, bonus depreciation was retroactively authorized for the entire 2015 calendar year and not in violation of IRS normalization rules.

*WPL Bent Tree Wind Farm Facilities Service Agreement (ER16-206-000, ER16-206-001)*

On October 30, 2015 (later revised on November 3, 2015), MISO filed a Facilities Service Agreement (FSA) between MISO, WPL, and ITC-M for WPL's Bent Tree Wind Farm Network Upgrades at FERC (Docket No. ER16-206-000). The FSA was filed as unexecuted because ITC-M refused to acknowledge in the agreement that it would record bonus depreciation, if available, to reduce the cost of the transmission system network upgrades associated with the WPL Bent Tree Wind Farm.

On March 11, 2016, FERC issued an order accepting the Bent Tree FSA subject to condition, and effective November 1, 2015, as requested (March 11 Bent Tree Order). In its ruling, FERC required ITC-M to reflect the impacts of bonus depreciation in the calculation of the facilities charge for investments made in calendar year 2015. On April 11, 2016, MISO, on behalf of ITC-M, filed an amended Bent Tree FSA to reflect the taking of bonus depreciation in the calculation of the facilities charge for investments made in 2015. Also on April 11, 2016, ITC-M submitted a request for rehearing of FERC's March 11 Order. On June 8, 2016, FERC issued an order denying rehearing (ER16-206-004) and accepting the compliance filing (ER16-206-003).

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<sup>2</sup> IPL initiated an informal challenge of ITC-M's handling of available bonus depreciation in October 6, 2015.

**December 2016 Updated Results and Activity:**

On August 3, 2016, ITC-M filed a Petition for Review at the D.C. Circuit Court of FERC's March 11, 2016 Order in Docket No. ER15-1250-000. Simultaneously, ITC-M filed a Petition for Review at the D.C. Circuit Court of FERC's March 11, 2016 Order in Docket Nos. ER16-206-000, ER16-206-001 and ER16-206-002. The Court has yet to take any action on either of the Petitions.

On August 11, 2016, ITC filed a request with the Internal Revenue Service (IRS) for a Private Letter Ruling (PLR) to determine whether applying bonus depreciation, per FERC's Orders, would cause a normalization violation. On September 8, 2016, ITC-M filed a Motion to Hold U.S. Court of Appeals Proceeding No. 16-1273 in Abeyance until the IRS rules on the PLR. On September 13, 2016, IPL sent a letter to the IRS requesting to act a consumer advocate on ITC's request for a PLR. On September 19, 2016, IPL filed its response to ITC's filing to hold the proceeding in abeyance, advocating that court did not need the IRS's response to the request for a PLR to issue a decision in this appeal. On October 18, 2016, the U.S. Court of Appeals granted IPL's Motion to Intervene in the proceeding. On November 7, 2016 the U.S. Court of Appeals issued an Order granting ITC's Motion to hold the proceeding in abeyance, pending the IRS issuance of a response to ITC-M's request for a PLR.

**Conclusions:**

ITC-M's choice to not utilize bonus depreciation impacts network upgrades for both Bent Tree<sup>3</sup> (discussed above) and Marshalltown Generating Station (MGS) (discussed below), as well as affects all capital investments in the asset classes elsewhere in the ITC-M transmission system, resulting in higher customer costs. The costs associated with the affected assets directly impact IPL customers' cost of transmission services.

IPL estimates that ITC-M's 2015 revenue requirement will be approximately \$2.5 million lower than ITC-M's original calculations. IPL anticipates a decrease in ITC-M's 2015 Attachment O rates, which will be passed on to IPL's customers and realized in 2017. For 2017, the estimated revenue requirement reduction is approximately \$18 million, which includes the impacts of ITC-M not opting out of Bonus depreciation in 2015, 2016, and 2017.

**B. Otter Tail Power Company (OTP) Complaint against MISO Self-Funding Policy for Network Upgrades** (Docket No. EL15-36-000 *et al.*, EL15-68-000 *et al.*, and ER16-696-000 *et al.*).

**Background:**

On January 12, 2015, OTP filed a complaint against MISO arguing that MISO's Tariff lacked clarity related to if and how an Affected System Operator<sup>4</sup> could self-fund network upgrades required for a generator to interconnect to the MISO system. On June 18, 2015, FERC issued an order granting, in part, OTP's complaint (June 2015 Order). FERC found that Affected System Operators should have the right to self-fund necessary network upgrades, similar to the rights afforded TOs and interconnection customers. In addition, the June 2015 Order instituted a section 206 investigation (initiating Docket No. EL15-68-000) into the MISO Tariff to determine

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<sup>3</sup> Bent Tree is a wind farm located in southern Minnesota that is owned and operated by Wisconsin Power & Light (WPL)—an Alliant Energy subsidiary.

<sup>4</sup> An Affected System Operator is a Transmission Owner (TO) whose system requires network upgrades to accommodate an interconnection request, but is not directly interconnected to the interconnection customer.

if the Tariff was unjust and unreasonable because TOs had the *unilateral* right to fund network upgrades.

On September 30, 2015, AECS, on behalf of its affiliates IPL and WPL, filed comments supporting the FERC investigation into the MISO network upgrade funding rules. AECS' comments supported an approach that would determine who will fund necessary network upgrades based on considerations of ultimate costs to customers.

On December 29, 2015, FERC issued an order denying rehearing, granting clarification, and directing a compliance filing in the OTP-related proceedings (December 29 Order). When denying rehearing, FERC affirmed its finding in the June 2015 Order that, under MISO's Interconnection Customer Funding Policy, providing a TO with the unilateral right to elect to initially fund a network upgrade improperly imposes costs on interconnection customers and is therefore unjust and unreasonable. On January 8, 2016, MISO submitted revisions to Article 11.3 of its *pro forma* GIA that removes the ability for TOs to unilaterally elect to initially fund network upgrades (Docket Nos. ER16-696-000 and ER16-696-001). On January 27, 2016, AECS, on behalf of its affiliates IPL and WPL, filed a motion to intervene.

**December 2016 Updated Results and Activity:**

On August 9, 2016, FERC issued an Order accepting, subject to condition and further compliance (August 9 Compliance Order) MISO's proposed revisions to its *pro forma* GIA, *pro forma* Facilities Construction Agreement (FCA), and *pro forma* Multi-Party Facilities Construction Agreement (MPFCA). The Commission found that, generally, MISO's proposed Tariff language complied with the directives in the December 29 Order, but that the language proposed in the *pro forma* MPFCA required additional revisions to clarify that an interconnection customer party could make its own financing decisions with respect to network upgrade costs with the agreement of all other parties to the agreement.

On September 8, 2016, Indicated MISO TOs filed a request for rehearing of the Commission's August 9 Compliance Order (Docket No. ER16-696-003). Also on September 8, 2016, MISO filed its required compliance filing (Docket No. ER16-696-002) (September 8 Compliance Filing) in response to the requirements of the August 9 Compliance Order. On October 7, 2016, FERC issued an Order denying Indicated MISO TOs' rehearing request. An Order on the September 8 Compliance Filing is still outstanding.

On October 27, 2016, Ameren and the ITC Companies filed a Petition for Review at the D.C. Circuit Court of the OTP-related proceedings (EL15-36-000 *et al.*, EL15-68-000 *et al.*, ER14-2464-002, ER16-696-000 *et al.*).

On December 2, 2016, FERC accepted MISO's September 8 Compliance Filing via Delegated Letter Order.

**Conclusions:**

IPL continues to voice its position that customer costs need to be an important factor when making necessary improvements to the transmission system. IPL understands the need to upgrade the transmission system and supports investments when transmission needs are balanced with customer costs. IPL will continue to monitor the outcome of these proceedings and advocate on behalf of its customers.



**C. First MISO Industrial Customer Complaint against the MISO TOs' ROE, Capital Structure and ROE Incentive Adders (Docket No. EL14-12-000 *et al.*)**

**Background:**

On November 12, 2013, a group of MISO industrial customer organizations filed a complaint against the MISO TOs (including ITC-M), seeking, among other things, a reduction of the Base ROE used by the MISO TOs (including ITC-M) in calculation of their transmission rates from 12.38% to 9.15%. In an order issued October 16, 2014, the Commission set the Base ROE portion of the complaint for hearing and dismissed the other complaint requests.

On December 22, 2015, FERC Administrative Law Judge (ALJ) Coffman issued his initial decision (ID) in the first MISO ROE Complaint proceeding (a Corrected ID was issued December 29, 2015).<sup>5</sup> The ID determined the just and reasonable Base ROE in this proceeding to be 10.32%, with an upper limit of the Zone of Reasonableness set at 11.35%. ALJ Coffman determined that the Base ROE should be set at the midpoint of the upper half of the zone of reasonableness because of the existence of anomalous market conditions during the study period. He found that the stated midpoint (9.29%) would dissuade investors from investing in MISO TOs, since they could receive higher returns from integrated electric utilities.

**December 2016 Updated Results and Activity:**

On September 28, 2016, the Commission adopted the findings in the December 2015 Initial Decision in its Opinion No. 551. The Commission agreed that anomalous market conditions existed during the study period, necessitating a Base ROE at the midpoint of the upper half of the Zone of Reasonableness – in this case, 10.32%. The Opinion required refunds to be disbursed by MISO within 30 days for the refund period (November 2013 through February 2015); however, MISO and the MISO TOs submitted a Motion for Extension of time on October 21, 2016, to extend the period to disburse refunds until July 28, 2016. On October 28, 2016, FERC granted MISO and the MISO TOs' request for extension of time to disburse refunds associated with the findings in Opinion No. 551.

**Conclusions:**

This is the first Opinion to be issued after FERC's landmark Opinion No. 531 that established the two-step Discounted Cash Flow (DCF) methodology for determining a Zone of Reasonableness and Base ROE; and setting of the Base ROE at the midpoint of the upper half of the Zone. FERC adopted the findings of the ID because the ALJ in that case properly applied FERC precedent to establish the Zone of Reasonableness and found that anomalous market conditions existed.

The final base ROE to be used for determining refunds is 10.32%. ITC-M requested, and received a 50-basis point adder for participation in a Regional Transmission Organization (RTO) which was effective in January 2015. ITC-M also received a 50-basis point adder for being an independent transmission company (Transco), effective starting in April 2015.<sup>6</sup> The refund will reflect the RTO adder for approximately two months of the 15-month refund period; therefore, the ROE over the entire refund period will be between 10.32% and 10.82%. While the methodology for calculating and disbursing refunds associated with the decreased ROE is still being discussed between MISO and the MISO TOs, IPL's 2017 Regional Transmission Service

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<sup>5</sup> The ALJ's Initial Decision was originally to be published November 30, 2015; however, a Notice was issued on November 24, 2015, extending the ID deadline to December 15, 2015, and another Notice was issued on December 11, 2015, further extending the ID deadline to December 23, 2015.

<sup>6</sup> *Midcontinent Indep. Sys. Operator, Inc.*, 150 FERC ¶ 61,252 (March 31, 2015).

(RTS) filing did not reflect impacts of anticipated refunds due to the uncertainty and timing of receipt of refunds. IPL's RTS filing assumed that the ROE refunds would return to IPL customers in 2018.

#### **D. Second Complaint against MISO TOs' Base ROE (Docket No. EL15-45-000)**

##### **Background:**

On February 12, 2015, a group of cooperative and municipal utilities in MISO filed a second complaint at FERC seeking a reduction to the MISO TOs' (including ITC-M) Base ROE from 12.38% rates to 8.67%. The complaint was filed in Docket No. EL15-45-000; AECS filed a motion to intervene on February 20, 2015, on behalf of its affiliates, IPL and WPL.

On June 18, 2015, FERC issued an order on the Second MISO ROE complaint, establishing formal hearing procedures and a refund date of February 12, 2015. The Chief ALJ denied consolidation of the second complaint proceeding (EL15-45) with the first complaint proceeding (EL14-12).

A formal hearing was held in February 2016.

##### **December 2016 Updated Results and Activity:**

On June 30, 2016, an ID was issued in the Second MISO ROE Complaint. The ID established the Zone of Reasonableness between 6.76% and 10.68%, and found a just and reasonable Base ROE to be 9.70% – the midpoint of the upper half of the Zone. The ALJ argued that setting the Base ROE at the midpoint of the upper half of the Zone (9.70%) as opposed to the actual midpoint (8.72%) was justified due to the existence of anomalous market conditions during the study period.

A final FERC order is scheduled to be issued in the first half of 2017, but may be delayed due to the Commission's current composition.<sup>7</sup> AECS, on behalf of IPL, will continue to follow the proceedings.

##### **Conclusions:**

The ID in this proceeding follows the same methodology established in FERC's Opinion No. 531 (New England Transmission Owners' First ROE Complaint Order) and affirmed in Opinion No. 551 (MISO First ROE Complaint Order). It is reasonable to assume that the Commission will adopt the findings of the ID. However, the composition of the Commission may shift prior to the anticipated order, potentially impacting the timing and content of the final decision.

#### **E. Fortis Acquisition of ITC (Docket No. EC16-110-000)**

##### **Background:**

On April 28, 2016, Fortis Inc. and ITC Holdings Corp. (the Applicants) filed a Joint Application for Authorization for Merger and Disposition of Jurisdictional Transmission Facilities, wherein, ultimately, ITC will be an indirect majority-owned subsidiary of Fortis. The transaction is valued at approximately \$11.3 billion, including approximately \$4.4 billion in assumed debt. In the Application, the parties argued that the proposed transaction 1) is consistent with the public interest standard, 2) will not have an adverse effect on competition (including no concerns related to horizontal or vertical market power), 3) will not have an adverse effect on rates, 4) will

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<sup>7</sup> As of October 1, 2016, the Commission has only three commissioners, only two of which are able to cast votes in the MISO ROE proceedings.



not have an adverse effect on regulation, and 5) will not result in cross-subsidization, pledge, or encumbrance of utility assets.

On June 2, 2016, AECS filed comments and a Motion for Adoption of Merger Conditions on behalf of its subsidiaries, IPL and WPL. AECS requested that FERC ensure that 1) the transaction and its transition costs are properly incorporated into a hold harmless commitment (including through reporting on congestion flow gates and coordination of transmission outages); and, 2) the Applicants clearly and succinctly enumerate the types of costs that will be encompassed within their hold harmless commitment, how the proposed costs are consistent with FERC's *Hold Harmless Policy Statement*,<sup>8</sup> and require that the ITC companies track those costs. AECS also suggested that ITC have regular customer meetings to consult with transmission customers. Finally, AECS requested that FERC institute a section 206 rate investigation should it approve the Applicants' transaction. The rate investigation would, at minimum, be necessary to determine whether the ITC companies (including ITC-M) should continue to be entitled to the Transco Adder (50 basis points in the case of ITC-M) based on whether or not the companies maintain their status as an independent transmission company.

#### **December 2016 Updated Results and Activity:**

On September 23, 2016, FERC authorized Fortis's application to acquire ITC, finding that the transaction was consistent with the public interest. The Order found that the transaction would not have an adverse impact on rates; would not create horizontal market power or vertical market power; and, not result in cross-subsidization issues. The Order also dismissed requests for 1) ITC's subsidiaries to take bonus depreciation when applicable; 2) an investigation of ITC's rates; and, 3) a reexamination of ITC's eligibility for the Transco adder as outside the scope of the section 203 proceeding.

The transaction was consummated on October 14, 2016. A request for clarification, or, in the alternative, rehearing, was filed at the Commission on October 24, 2016, by the Resale Power Group of Iowa (RPGI).<sup>9</sup> That request is still outstanding.

#### **Conclusions:**

While the Commission rejected the comments AECS submitted and did not adopt any of the merger conditions suggested. AECS will monitor the happenings in the clarification/rehearing request submitted by RPGI, but does not expect FERC to reverse its decision, especially with respect to the ROE adder. AECS will maintain vigilance with respect to any additional costs that IPL customers might incur as a result of the acquisition transaction, and work to hold ITC-M to FERC's *Hold Harmless Commitment Policy*.

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<sup>8</sup> *Policy Statement on Hold Harmless Commitments*, 155 FERC ¶ 61,189 (2016) (*Hold Harmless Policy Statement*).

<sup>9</sup> RPGI is an association of public and private agencies that purchases electric energy, capacity, and transmission service as agent for and on behalf of its members as an active participant in the Midcontinent Independent Transmission System Operator (MISO) market. RPGI's primary focus is to negotiate the lowest cost power supply while maintaining the quality, dependability, and support services required by their members.

## **F. Marshalltown Generating Station (MGS) Agreements**

### **Background:**

MGS is a combined-cycle, natural gas-fired generating facility located in Marshalltown, Iowa. MGS is expected to go online by mid-2017. Before doing so, IPL must execute, and FERC must approve, various agreements between IPL, ITC-M, and/or MISO to ensure, among other things, capacity accreditation and appropriate transmission interconnections.

*Generator Interconnection Agreement (GIA) between MISO, ITC-M and IPL (Docket No. ER16-1083-000 and ER16-1083-001)*

On March 4, 2016, MISO filed an unexecuted GIA between MISO, ITC-M and IPL for IPL's MGS (Docket No. ER16-1083-000). On March 24, 2016, ITC-M, IPL, and MidAmerican (Joint Parties) filed a joint protest at FERC that disputed the manner in which IPL was required to pay for Shared Network Upgrades that were initially self-funded by ITC-M. The Joint Parties argued that inequitable payment terms would result between IPL as the second Interconnection Customer, and MidAmerican as the first Interconnection Customer because of the terms of the unexecuted GIA as filed by MISO. The Joint Parties requested that FERC require MISO to revise the GIA to reflect payment terms for the Shared Network Upgrades for MGS that would ensure that the first and second Interconnection Customers (MidAmerican and IPL, respectively) would pay for Shared Network Upgrades in an equitable fashion based upon their percentage of cost responsibility for the full cost of the Shared Network Upgrades. The Joint Parties requested waiver of MISO tariff requirements in the event that one would be required to effectuate the proposed equitable cost sharing.

On May 3, 2016, FERC issued an order that allowed for mutually agreed upon commercially negotiated terms that would equitably share cost responsibility for Shared Network Upgrades between IPL and MidAmerican through the execution of an FSA between IPL and ITC-M.

On June 2, 2016, MISO filed a Substitute Amended and Restated Generator Interconnection Agreement (Agreement) between IPL, ITC-M and MISO as required by the order. The filing reflects the payment methodology that was agreed upon by the parties regarding Shared Network Upgrades in Appendix A and Appendix B (Tables A2 and B2) of the Agreement.

*Facilities Services Agreement (FSA) between ITC-M and IPL (Docket No. ER16-2545-000)*

On September 2, 2016, MISO, on behalf of ITC-M filed a Facilities Services Agreement between ITC-M and IPL. The FSA provides a means to recover the network upgrade and shared network upgrade costs associated with the interconnection of IPL's MGS. ITC-M will fund the upgrades to the ITC-M transmission system.

The FSA, as filed, contains a facilities charge that recovers the return of and on the capital costs of the network upgrades as well as IPL's proportional costs of the shared network upgrades. IPL is obligated to make a monthly payment in the amount of the determined monthly revenue requirement. The monthly revenue requirement is based on a formula that calculates a levelized fixed charge based on the initial capital cost, the term of the FSA, and certain data from ITC-M's Attachment O Formula Rate.

While IPL received the desired outcome in that Shared Network Upgrade costs associated with interconnecting MGS will be equitably shared between MidAmerican and IPL, FERC did not agree with the Joint Parties that a tariff change was necessary to ensure that future Shared Network Upgrades would be equitably shared by parties that are not the first interconnection customer.

**December 2016 Updated Results and Activity:**

MISO performs an annual ERIS evaluation for all non-Provisional and Provisional GIAs to identify the maximum level of injection available for the next Resource Adequacy Planning Year. Further, for all non-Provisional GIAs with conditional energy resource interconnection service (ERIS) that will eventually convert to ERIS and network resource interconnection service (NRIS), MISO performs an Annual Interim Deliverability analysis to identify the maximum level of conditional NRIS available for the next Resource Adequacy Planning Year. MISO's Annual ERIS evaluation and Annual Interim Deliverability Study for MGS identified 500 MW of ERIS and 500 MW of NRIS for the 2017-2018 Planning Year.

*Generator Interconnection Agreement (GIA) between MISO, ITC-M and IPL (Docket No. ER16-1083-000)*

On July 29, 2016, the Commission accepted the Substitute Amended and Restated GIA between IPL, ITC-M, and MISO via Delegated Letter Order.

*Facilities Services Agreement (FSA) between ITC-M and IPL (Docket No. ER16-2545-000)*

On October 25, 2016, the Commission accepted the FSA between IPL and ITC-M via Delegated Letter Order. ITC-M has begun billing for completed network upgrades in accordance with the accepted FSA.

**Conclusions:**

The FSA was generically accepted by FERC without comment or protest from any parties.

IPL continues to work with MISO in evaluating alternatives to enable IPL to accredit capacity of more than 500 MW for the 2017-2018 MISO Planning Year and subsequent years until completion of all Network Upgrades (including MTEP assumptions listed in the GIA Exhibit A10).

**G. Order No. 1000 Reexamination (Docket No. AD16-18-000)**

**Background:**

On July 21, 2011, FERC issued its landmark Order No. 1000 that reformed how regions were to approach transmission planning, cost allocation, and the participation of non-incumbent transmission developers in planning processes. The Order required each region to develop regional and interregional compliance plans. Five years after the issuance of the Order, stakeholders voiced numerous concerns regarding the implementation of Order No. 1000. As a result, the Commission held a Technical Conference on June 27 and 28, 2016, that sought comment on cost containment provisions, transmission incentives, interregional coordination, and transmission planning issues – all in the context of Order No. 1000.

**December 2016 Updated Results and Activity:**

On October 3, 2016, AECS, on behalf of its subsidiaries, submitted comments in response to FERC's August 3, 2016, Notice Inviting Post-Technical Conference Comments. In its submission, AECS argued that the competitive transmission process and cost-based ratemaking are difficult policies to simultaneously implement. AECS voiced its support for competitive transmission development processes as they appropriately incentivize the construction of needed infrastructure and result in lower costs to customers. AECS also lent its support to providing a level playing field to both incumbent and non-incumbent transmission

developers that participate in competitive transmission processes. However, with respect to incentives, AECS did not support the inclusion of any incentives once a bid has been submitted and accepted by the regional entity. AECS argued that, as part of the competitive process, transmission developers should incorporate any incentives into their bid – whether a cost cap, risk mitigation measure, or any other desired incentive – when responding to an RFP.

**Conclusions:**

AECS supports truly competitive transmission processes as, ultimately, these processes will result in lower costs to customers. AECS believes that a proper Order No. 1000 process would provide transparency and allow customers to understand the costs included in a project. FERC Commissioners, on multiple occasions, have voiced their support for competitive transmission processes that work.

**H. Public Utilities Regulatory Policies Act of 1978 (PURPA) Implementation Examination**  
(Docket No. AD16-16-000)

**Background:**

IPL has been actively lobbying Congressional members to reform PURPA for years. PURPA was enacted during the energy crisis to encourage the development of small renewable energy resources known as Qualifying Facilities (QFs). On November 6, 2015, Republican leaders of various energy-related committees sent a letter to the Commission requesting that the Commission hold a Technical Conference to discuss current PURPA implementation. On February 9, 2016, the Commission issued a Notice alerting industry to the fact that it would be holding a Technical Conference on June 29, 2016. The conference dealt with two main issues of PURPA implementation: mandatory purchase obligations and avoided cost calculations.

**December 2016 Updated Results and Activity:**

Joel Schmidt, Vice President of Regulatory Affairs for AECS, was a panelist at the Technical Conference. He represented both the interests of AECS and the Edison Electric Institute (EEI). His remarks were confined to the mandatory purchase obligation, but he specifically spoke on the need to combat gaming by QF developers. He pointed to IPL's requirement to purchase energy from QF developers that game the one-mile rule,<sup>10</sup> when energy can be purchased at lower cost in the MISO markets.

On November 7, 2016, AECS filed additional comments addressing the one-mile rule as it pertains to PURPA, but also requesting FERC to continue to look at problems related to QF projects. Specifically, transmission issues, such as those associated with curtailment procedures, will become a bigger issue—especially in Iowa—with more wind QF projects.

**Conclusions:**

The Commission will likely reform the two areas in which most stakeholders at the Technical Conference agreed: the one-mile rule and the minimum standards for PURPA contracts. Any further PURPA reform would likely need to go through additional process at FERC and at the request of Congress.

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<sup>10</sup> The one-mile rule applies to how PURPA facilities are classified: generators that are located within one mile of each other can be considered one qualifying facility; generators that are located beyond one mile of each other would be considered separate qualifying facilities. Gaming the one-mile rule involves entities that place large generators (under 80 MW) at least one-mile away from each other so that each resource is individually classified as a qualifying facility and able to receive avoided cost rates.

#### **4. MISO Activity, IPL Engagement**

IPL maintains proactive and consistent engagement in the MISO stakeholder process in order to influence and help ensure changes made to the MISO tariff and related processes are beneficial to IPL customers. MISO's transmission planning procedures and cost allocation rules impact the transmission rate component of ITC-M, which may ultimately impact costs for IPL customers.

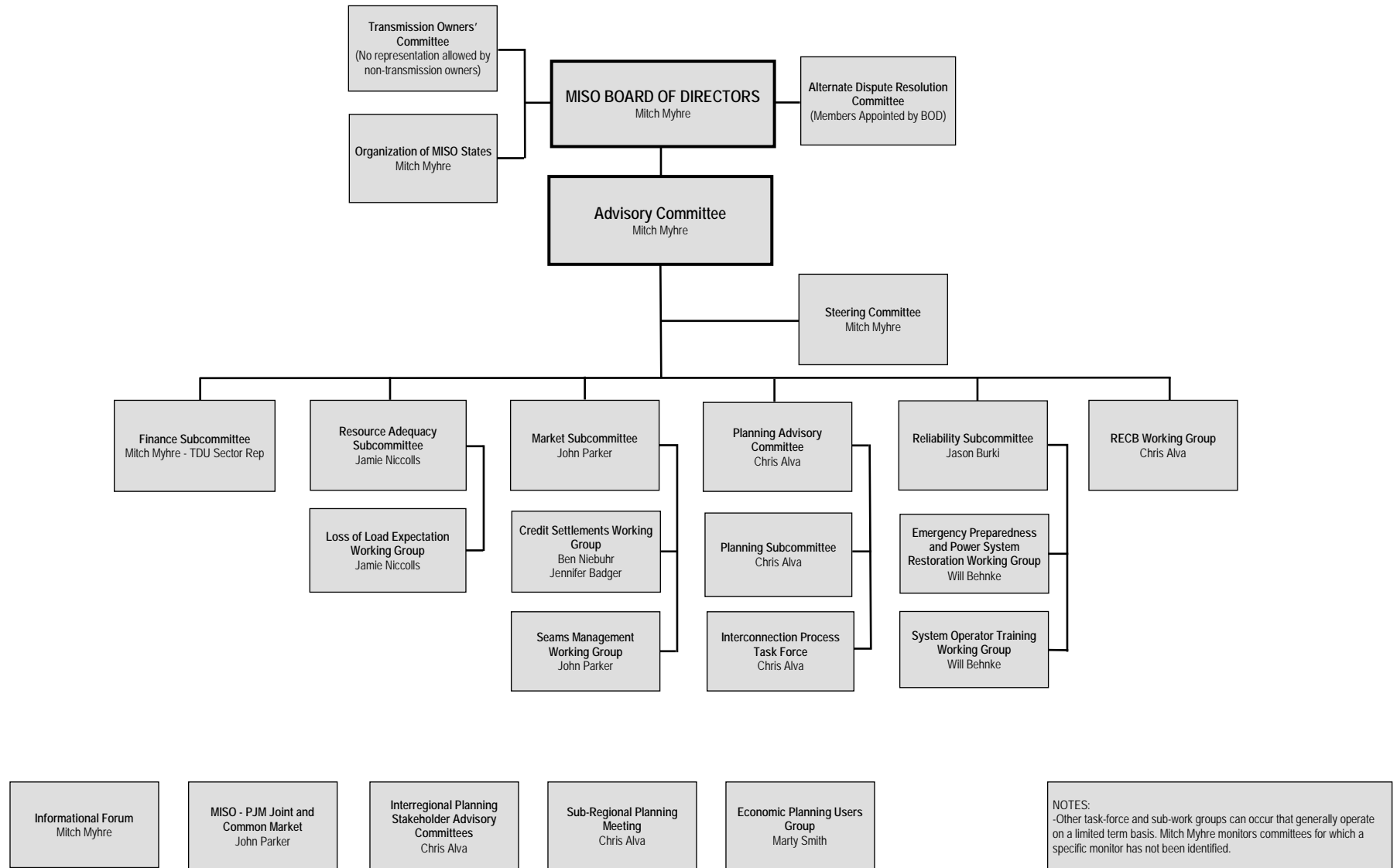
IPL monitors and actively participates in the various committees and meetings at MISO pertaining to transmission matters. Specifically, IPL's engagement with the MISO stakeholder process includes participation in the following transmission-focused groups:

- The Planning Advisory Committee (PAC),
- Interconnection Process Task Force (IPTF),
- Planning Subcommittee (PSC),
- Interregional Planning Stakeholder Advisory Committee (IPSAC),
- West Sub-Regional Planning Meeting (West SPM), and
- Economic Planning Users Group (EPUG).

IPL has also been an active participant and voting stakeholder in the Regional Expansion Criteria Benefits Working Group (RECBWG) that is charged with shaping transmission cost allocation policy.

A summary chart of the various MISO committees IPL participates in is provided in Figure 1.

**Figure 1 – IPL involvement at MISO**



Since the June 2016 Report, IPL notes the following most significant MISO activity, and IPL's engagement:

#### **A. MISO Stakeholder Process**

##### **Background:**

Reviewing and improving the MISO stakeholder process was a priority for MISO and stakeholders, including IPL, in 2015. IPL was actively involved with this review process and collaborated with other stakeholders on potential ways to improve the efficiency of MISO's stakeholder process. IPL's senior executives met with those of MISO to discuss the need for an improved MISO stakeholder process in order to more effectively and efficiently address a number of issues being raised by stakeholders.

Between August and November 2015, four workshops took place where MISO, stakeholders, and an independent facilitator reviewed and discussed the current stakeholder process. In December 2015, proposed process changes resulting from the workshops were approved by the MISO Advisory Committee. The approved changes focus on the following areas: (1) Stakeholder Committee Structure, where certain stakeholder groups were eliminated or combined with another group, (2) Issue Prioritization, where more review and agreement on what issues should be addressed is to take place and (3) Issue Management, which focuses on improving how issues are managed and how the process is enforced. These changes were implemented by MISO and stakeholders in 2016 and have helped to create a more efficient and effective stakeholder process.

##### **Current Status:**

Changes to the stakeholder process have now been implemented. In December of 2016, the MISO Advisory Committee reviewed the effectiveness of improvements put in place and the need for any further changes. In general, Advisory Committee sectors felt the stakeholder process has improved. Areas identified for future improvement included more consistency with how MISO vets issues through the stakeholder process and a need to create more opportunities for the Advisory Committee to discuss current policy issues. IPL is monitoring the impact of the stakeholder process changes and will continue to provide thoughts and feedback to MISO as the process evolves.

#### **B. Resource Adequacy Construct**

##### **Background:**

MISO currently has an annual resource adequacy construct in which a resource must be available for the entire MISO Planning Year (June-May) in order to be used towards meeting capacity requirements. IPL has supported MISO changing to a seasonal versus annual resource adequacy construct as a way to provide additional flexibility and efficiency with how resources can be used. For example, a seasonal construct would better recognize seasonal capacity differences of various types of resource changes, such as unit retirements and Purchased Power Agreements (PPAs) that expire at times other than at the end of the MISO Planning Year. This would avoid procuring potentially expensive replacement capacity and thus minimize costs to customers.

##### **Current Status:**

- In 2016, MISO slowed discussions on the implementation of a seasonal resource adequacy construct in order to place more focus on the implementation of a forward capacity construct for areas of the footprint with retail choice load. MISO has indicated



that it now intends to file a proposal to FERC in 2017, with a targeted implementation date of the 2019/2020 Planning Year.

- While supportive of the concept of a seasonal construct, IPL is concerned that the scope of MISO's seasonal proposal is too extensive and contains a new capacity accreditation methodology that could create unnecessary costs to customers.
- IPL has brought its concerns to MISO's attention and will continue to actively participate in future stakeholder process discussions on the proposal.

### **C. MISO Transmission Expansion Plan (MTEP)**

#### **Background:**

Due to the scope and complexity of regional transmission planning, IPL does not perform independent cost-benefit analyses of the MTEP project portfolio, Multi-Value Projects (MVPs), or individual ITC-M projects. For the MVPs in particular, due to the large interdependencies of the projects, MISO calculates the benefits on the portfolio as a whole, consistent with FERC direction, rather than for individual projects. For other non-MVP projects, such as Market Efficiency Projects (MEPs), MISO performs a cost-benefit analysis on a per-project basis. MEP projects must meet certain cost-benefit criteria to be approved by MISO. IPL actively participates in the planning and cost-benefit analysis done at the regional level through a collaborative process. IPL reviews the projects resulting from the MISO planning process and provides feedback to MISO on projects potentially impacting the transmission service and cost to IPL customers, including those of ITC-M.

#### **Current Status:**

- MISO has started a multi-year study process to look at the potential of another large transmission build-out, similar to the portfolio of MVP projects previously approved. The stated goal of the study is to position the grid in support of a changing resource mix and proactively identify and combine reliability needs and economic opportunities. Any projects resulting from this study are currently estimated to be submitted for approval before the MISO board in 2019.
- IPL has been engaged with this process through the PAC and other planning meetings and workshops MISO has held to discuss these issues.

### **D. MISO Review of Transmission Cost Allocation and Criteria**

#### **Background:**

In 2015, MISO introduced an initiative to evaluate current cost allocation metrics and criteria to determine: (1) if they are appropriate or are generally too conservative; (2) if and to what extent they may cause barriers to cost-effective and beneficial transmission investment; and (3) to evaluate if modifications are appropriate given a changing planning environment. Based in part on feedback from stakeholders, MISO ranked the following items as high priority long-term issues to evaluate:

- MEP voltage threshold,
- MEP postage stamp allocation,
- MEP cost allocation to all Local Resource Zones,
- MVP postage stamp allocation and portfolio requirement, and
- Interregional / regional assumptions and criteria misalignment.



MISO also identified a cost allocation gap related to the MISO South Transition Period, and a lack of clear procedures for how to handle projects that meet planning objectives but fail current cost allocation criteria as short-term high priority items.

IPL is open to considering cost allocation changes and has a general preference for costs to be allocated as locally as possible. IPL has stressed to MISO that changes to cost allocation, especially within project types that currently use postage stamp cost allocation, must be supported by representative studies that validate the changes by showing the nature and distribution of benefits of the project type throughout the MISO footprint. It is important that any changes to cost allocation are supported by representative studies and analysis to help validate the need for the change and the proposed solution. IPL expects this to be a part of the continued review process planned for 2017.

**Current Status:**

- MISO has proposed a work plan to address its identified high priority short-term issues over the remainder of 2016 and into 2017. MISO intends to address high priority long-term issues by the end of 2018.
- IPL is closely following and participating in cost allocation discussions which are being held within the RECB Working Group. IPL has indicated its support to MISO for reviewing cost allocation issues including the MEP postage stamp allocation, voltage threshold and allocation to Local Resource Zones as well as addressing the MISO South Transition Gap.
- IPL has discussed this review effort and its current positions with other stakeholders including the Board through the Quarterly MISO Stakeholders meeting, and with ITC through routinely scheduled IPL/ITC quarterly meetings, and with IPL's large transmission customers during the December 5, 2016 Transmission Stakeholder Meeting. IPL has also used other direct communications with stakeholders to discuss these issues.
- In December 2016, MISO released an initial proposal for the cost allocation of MEPs and beneficial economic projects which do not meet the current MEP voltage and cost thresholds. In general, MISO's proposal seeks to allocate the cost of MEPs and lower voltage economic projects on a more local basis. MISO has not made a final decision related to these changes and plans to further discuss the proposal through the third quarter of 2017. While generally supportive of local cost allocation, IPL believes further analysis and discussion of MISO's proposed changes is needed to help determine the appropriateness of any changes.

**E. Generation Interconnection Queue Reform**

**Background:**

MISO is undergoing its fourth major queue reform<sup>11</sup> over the past 10 years. With the current reform effort, MISO is proposing to more holistically redesign the interconnection process with the following objectives: 1) reduce restudies, 2) implement higher readiness standards, and 3) improve the overall timeliness of the study process.

MISO filed a queue reform proposal to FERC on December 31, 2015. In response to MISO's filing, Alliant Energy filed comments which provided support for MISO's proposal, but also stressed that more work is needed to create an overall improved interconnection process. A

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<sup>11</sup> Regarding the process for study and analysis of applications for generator interconnections.

key concern MISO has yet to address relates to creating a more efficient and certain capacity accreditation process for new units.

On March 29, 2016, FERC rejected MISO's queue reform proposal filed in December of 2015. FERC recognized the importance of the queue reform effort, but found MISO's filing to be incomplete and not adequately supported. FERC also found that MISO did not address other issues that could be a factor in the current backlog of queue projects and provided some guidance to assist MISO in developing a new proposal. On May 13, 2016, FERC held a technical conference focused on GIAs and procedures.

**Current Status:**

- Subsequent to FERC's rejection of MISO's queue reform proposal, MISO and stakeholders discussed and considered how to improve MISO's proposal. On October 21, 2016 MISO filed another reform proposal to FERC. The proposal builds off of MISO's December 31, 2015 filing and attempts to respond to the concerns expressed by FERC with MISO's previous filing. To help address FERC's concerns MISO's proposal includes changes that target improving transparency, communication and accountability among all entities involved with the generation interconnection process.
- On November 14, 2016 Alliant Energy filed supportive comments to FERC on MISO's queue reform filing. Alliant Energy believes that MISO's proposal, which includes a new 3 phase Definitive Planning Phase process and additional milestone payments, will help allow ready interconnection projects to better progress through the queue. However, Alliant Energy also believes continued focus and work on the interconnection process will be needed to further improve efficiency and effectiveness.

**F. MISO Market Vision Roadmap**

**Background:**

MISO has established a Market Vision Roadmap process where each year MISO and stakeholders identify, evaluate and rank individual potential market enhancements based on perceived value. MISO then considers this information and feedback with future efforts to select and implement market changes. MISO's goal with its market vision is to foster wholesale electric markets that deliver reliable and economically efficient outcomes. Certain potential market enhancements could provide benefits to transmission customers by providing an increased utilization of existing assets. Specifically, IPL is supportive of the following potential Market Roadmap candidates: 1) Application of Dynamic and Predictive Ratings (Market Roadmap issue ID MR54) and 2) Post Contingent Actions (Market Roadmap issue ID MR55). Both of these items could provide a better reflection of actual transmission system conditions and needs and help to reduce congestion costs for customers.

**Current Status:**

- As a result of the 2016 Market Roadmap process, MISO has ranked the Application of Dynamic and Predictive Ratings as a low priority item in MISO's current work plan. Post Contingent Actions has been placed in the parking lot and is not currently in MISO's work plan.
- MISO's Independent Market Monitor (IMM) has recommended in the 2015 IMM State of the Market report that MISO expand the use of temperature-adjusted emergency transmission ratings. Based on the marginal costs of transmission constraints that were binding in 2015 and the estimated increase in limits, the IMM has estimated maximum savings of \$165 million in dispatch costs for the MISO footprint. A pilot project is

currently underway in MISO to help prove out these estimated benefits. Initial results from the pilot project have shown this change could result in congestion cost savings for customers.

- IPL has reached out to ITC-M to better understand the potential for ITC-M to utilize more dynamic transmission ratings.

## **5. IPL and ITC-M's Joint Project Planning**

### **Background:**

IPL personnel from various levels of authority, from executives to engineering and operational staff, routinely meet with ITC-M to discuss transmission planning, including projects influenced by generation and distribution investments. These projects involve large capital projects, capital maintenance and routine operations and maintenance (O&M) projects.

IPL's engagement with ITC-M's project planning efforts is intended to:

- Ensure improvement of system reliability for IPL's customers;
- Influence demonstrated need, scope, design, timing and cost effectiveness in providing transmission service to IPL's customers;
- Coordinate and plan the IPL distribution projects impacted by or needed to support ITC-M projects; and
- Facilitate "constructability" meetings to align project timing for budgeting purposes, but also from a reliability perspective so as to minimize impacts to IPL customers.

IPL's Planning Departments meet monthly with ITC-M's Planning department. The two companies meet to coordinate conceptual planning, studies and work scope development.

IPL meets monthly with ITC-M planning to review transmission projects having a direct impact on IPL customers. Similarly, both planning departments continually coordinate in the reliability studies of future IPL generation retirements and additions.

ITC-M has submitted 13 projects for Appendix A in MTEP17. Out of these projects, one is a Baseline Reliability project, two are Generation Interconnection projects, and 10 are classified as "Other" projects. Other projects consist of age and condition projects, distribution projects, and 34.5 kV conversion projects.

### **December 2016 Updated Results and Activity:**

#### **Marshalltown Generation Station (MGS)**

MGS anticipated in-service date is April 1, 2017, and the generation interconnection agreement (GIA) has been filed and accepted by the FERC, effective March 5, 2016. MGS testing has commenced. At this point, both Combustion Turbines have been successfully synchronized to the transmission system. Required thermal performance, reliability, and emissions compliance tests will continue to be performed in the coming months. IPL continues to closely coordinate with MISO and ITC-M on progress, including:

- Coordinating on remaining network upgrade transmission projects associated with MGS:
  - Newton – Prairie City line rebuild to be completed by March 2017.

- Jasper – Newton sag mitigation to be completed by December 2016.
  - Jasper – Laurel line uprate to be completed by December 2016.
- Coordinating with MISO on the ability to receive more than 500 MW of capacity accreditation for the 2017-2018 Planning Year:  
MISO performs an annual ERIS evaluation for all non-Provisional and Provisional GIAs to identify the maximum level of injection available for the next Resource Adequacy Planning Year. Further, for all non-Provisional GIAs with conditional energy resource interconnection service (ERIS) that will eventually convert to ERIS and network resource interconnection service (NRIS), MISO performs an Annual Interim Deliverability analysis to identify the maximum level of conditional NRIS available for the next Resource Adequacy Planning Year.
  - MISO's Annual ERIS evaluation and Annual Interim Deliverability Study have identified 500 MW of ERIS and 500 MW of NRIS for MGS for the 2017-2018 Planning Year.

IPL will continue to closely coordinate with MISO and ITC-M on the construction of the all remaining Network Upgrades (including MTEP assumptions listed in the GIA Exhibit A10) as well as testing and commissioning of the plant to ensure a timely and reliable interconnection of IPL's MGS.

#### Dubuque Generation Station

- On October 22, 2015, IPL submitted a Notification for the retirement (Attachment Y Notice) of Dubuque Generation Units 3 & 4 effective June 1, 2017.
- On February 22, 2016, IPL received approval from MISO for the retirement of Dubuque Generation Units 3 & 4.
- After being reviewed for power system reliability impact as provided for under MISO's Tariff, the retirement of Dubuque Units 3 & 4 would not result in violations of applicable reliability criteria. Therefore, Dubuque Units 3 & 4 may be retired as requested without the need for the generator to be designated as System Support Resource (SSR).

#### Sutherland Steam Unit 3

- On July 15, 2016, Sutherland Steam Unit 3 had an equipment failure and it was placed in forced outage status.
- On November 7, 2016, IPL submitted a Notification for the retirement (Attachment Y Notice) of Sutherland Steam Unit 3 effective June 1, 2017. IPL Sutherland Steam Unit 3 will remain in forced outage status until May 31, 2017.
- IPL Sutherland Steam Unit 3 will not need to be designated as a SSR.

IPL is committed to perform holistic studies as part of its generation retirement planning to ensure system reliability while minimizing any financial impact to its customers.

## **6. IPL Analysis of ITC-M and MISO Rates**

### **Background:**

IPL has an internal process to project transmission expenses using the following resources, among others:

- Anticipated MISO billings (including those for MVPs),
- ITC-M revenue requirements and capital expenditure projections (to the extent available),
- ITC-M Attachment O True-Up information for the prior year,
- FERC decisions that impact transmission rates, and
- ITC-M projected Attachment O rate posted for the next year.

IPL's transmission expense projections are used to determine the annual RTS factors filed with the Board. IPL incorporates all these variables into its transmission expense projections for the Energy Pricing Outlooks for overall industrial customer rates, including transmission. These Energy Pricing Outlooks are communicated to customers through periodic webinars and presentations at customer forums such as the annual IPL Energy Summit and the Semi-Annual IPL Transmission Stakeholder Meetings. Energy Pricing Outlooks are updated as new information becomes available, such as the ITC-M Attachment O True-Up for the prior year (posted in June of each year) and the ITC-M projected Attachment O rate for the next year (posted by September of each year), and IPL's determination of the annual RTS factors (as filed with the Board each November).

### **December 2016 Updated Results and Activity:**

- As discussed in more detail in the FERC Transmission Activity section of this report, IPL used the MISO Formula Rate Protocols and FERC processes to challenge ITC-M's 2015 and prior transmission rates as imprudent for failure by ITC-M to utilize bonus depreciation. ITC-M posted final 2015 true-up information on June 1, 2016, which included a stated \$2.5 million reduction in rates to account for bonus depreciation.
- ITC-M conducted a 2015 true-up stakeholder meeting in July 2016. IPL reviewed the posted information and submitted questions to ITC-M pursuant to the MISO Formula Rate Protocols. The focus of the questions was on obtaining a better understanding of ITC-M's utilization and accounting for bonus depreciation for 2015. ITC-M has responded to all of IPL's questions regarding the 2015 true-up. ITC-M also posted a revised 2015 true-up in December 2016 in response to certain questions asked by IPL. IPL continues to review ITC-M's responses to the formula rate protocol questions. IPL has until the end of January 2017 to determine whether to informally challenge the 2015 true-up calculations.
- ITC-M posted its initial 2017 Projected Attachment O Rate on its MISO OASIS on August 30, 2016. ITC-M's initial posting was based on the then-approved ROE. The initial posting indicated a rate of \$10.523/kW-Mo for 2017.

- On September 28, 2016, the FERC issued a final order (Opinion 551 – FERC Docket No. EL14-12) setting ITC-M's ROE at 11.32%. MISO has until July 28, 2017 to complete refunds pursuant to ROE Complaint 1.<sup>12</sup>
- ITC-M and MISO began billing based upon the revised ROE in November 2016, for October 2016 service. ITC-M's revised 2016 Attachment O rate is \$9.075/kW-month. ITC-M's prior 2016 Attachment O rate was \$9.920/kW-month. *Note:* These rates are stated on an ITC-M pricing zone basis and exclude the impacts of a contribution in aid of construction (CIAC) adjustment and rate discounts effective for 2016.
- In October 2016, ITC-M posted a revised Attachment O rate for 2017 that reflects FERC's September 2016 Order approving revisions to MISO transmission owners base ROE. ITC-M proposes to charge \$9.973/kW-Mo for 2017. Drivers for year-over-year changes in ITC-M's Attachment O rate include:
  - Increased investment in rate base,
  - Increases in depreciation and other operating costs,
  - The expiration of rate discounts established at the time of ITC-M's formation,
  - Exclusion of the one-time CIAC refund in 2016
  - Revised ROE, and
  - Higher credits for MVP projects, generator interconnection projects, and other revenues.
- ITC-M conducted its Partners in Business meeting in October 2016, providing an overview of the 2017 proposed Attachment O rate. IPL attended the Partners in Business Meetings.
- In December 2016, ITC-M posted a further revised Attachment O rate of \$9.944/kW-Mo for 2017. The December revision reflects the impact of the revised 2015 true-up that ITC-M posted in response to IPL's audit protocol questions.
- IPL reviewed the 2017 proposed Attachment O rate information posted on OASIS and has submitted requests for additional information to ITC-M through the formula rate protocol process.<sup>13</sup> ITC-M has responded to IPL's questions, with the exception of one set of data requests expected before December 21, 2016. IPL continues to review ITC-M's posted information and responses to IPL's questions and has until the end of January 2017 to determine whether to informally challenge ITC-M's posted 2017 Attachment O rates.
- IPL continues to monitor ITC-M publicly posted information for additional insight into ITC-M future rates, in absence of any forecasts beyond the current year posted on OASIS.

### **Conclusions:**

The impacts of the FERC's decision on ROE Complaint 1 are reflected in both remainder of the year 2016 transmission billings and the ITC-M forecasted 2017 transmission rates. The specific

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<sup>12</sup> Additional discussion of FERC's decision on ROE, and the still-pending Complaint 2 on ROE, is provided in the FERC Transmission Activity section of the report.

<sup>13</sup> IPL shared a copy of the questions submitted to ITC-M regarding their Attachment O 2017 projected rate posting, with the Office of Consumer Advocate (OCA) on November 7, 2016.



amount of refunds due to IPL as a result of ROE Complaint 1 are still uncertain, however the MISO and the transmission owners are required to process all refunds by July 28, 2017.

Flow-through of any refunds to IPL customers is anticipated to be made through IPL's Rider RTS. ITC-M's 2015 Attachment O true-up, and ITC-M's 2017 forecast Attachment O rate indicate that they reflect the impacts of ITC-M utilizing bonus depreciation. IPL is currently reviewing ITC-M's calculations of the impact of bonus depreciation included in the 2015 true-up posting, and the 2017 forecasted Attachment O rate posting. IPL has until the end of January 2017 to file any informal challenge to either ITC-M's 2015 true-up or the 2017 projected Attachment O rate. If IPL pursues an informal challenge, and IPL and ITC-M cannot reach resolution, IPL has until April 15, 2017 to pursue a formal challenge with FERC.

## **7. Transmission Outage Performance and Operations Coordination**

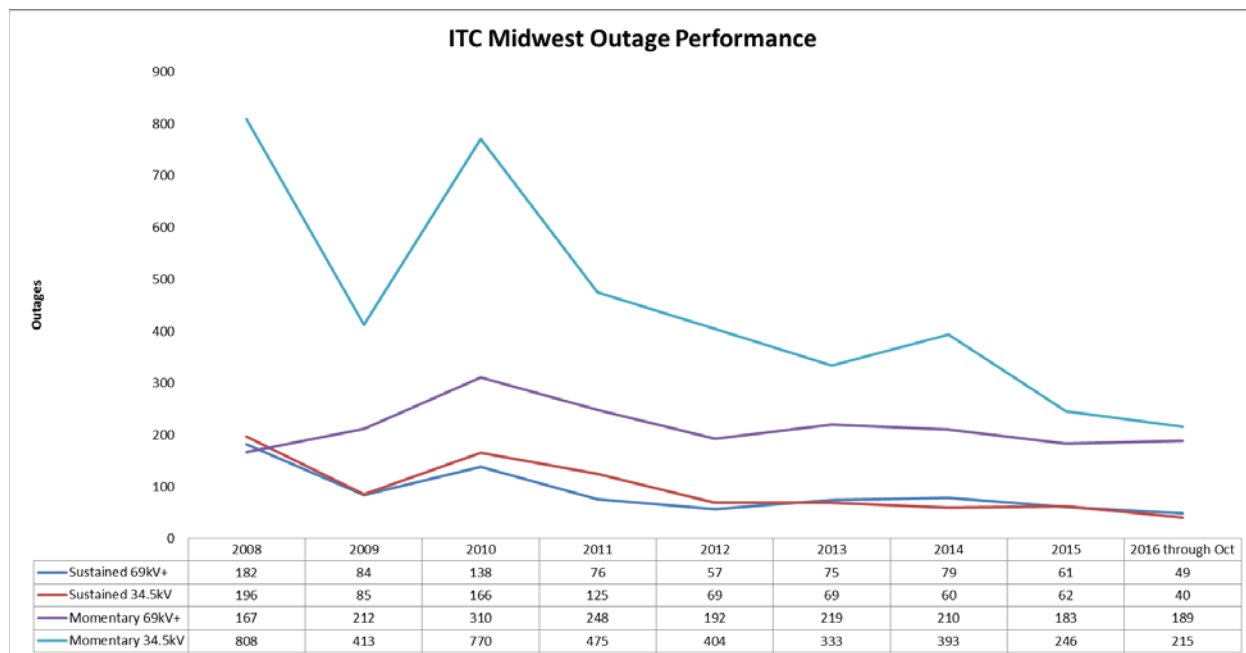
### **Background:**

As part of the joint IPL/ITC-M Operations Committee, representatives of IPL's Distribution Dispatch Center meet once a year to review ITC-M system studies as part of the summer preparedness, and on as-needed basis with their counterparts from ITC-M's field operations and Operations Control Room to discuss outage history, reliability metrics and other operations-related topics.

### **December 2016 Results and Activity:**

From the asset performance data provided by ITC-M representing the number of transmission line outages, IPL has updated the graph shown in Figure 2. Through October 2016, the data illustrates a continued improvement and maintained trend of fewer sustained and momentary outages since the transmission asset sale by IPL and purchase by ITC-M. The years 2008 and 2010 data are considered abnormal due to the number and severity of weather events. Data for this particular metric is only available back to 2008 when ITC-M acquired the transmission system, since IPL tracked outage statistics in a different way prior to 2008.

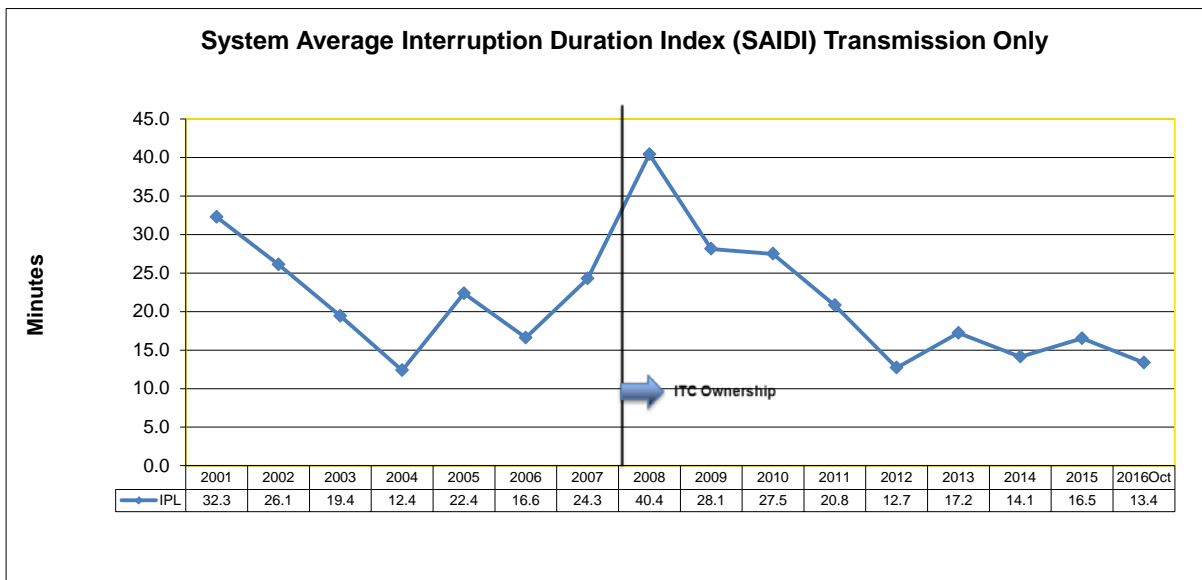
**Figure 2 – ITC-M Outage Performance**



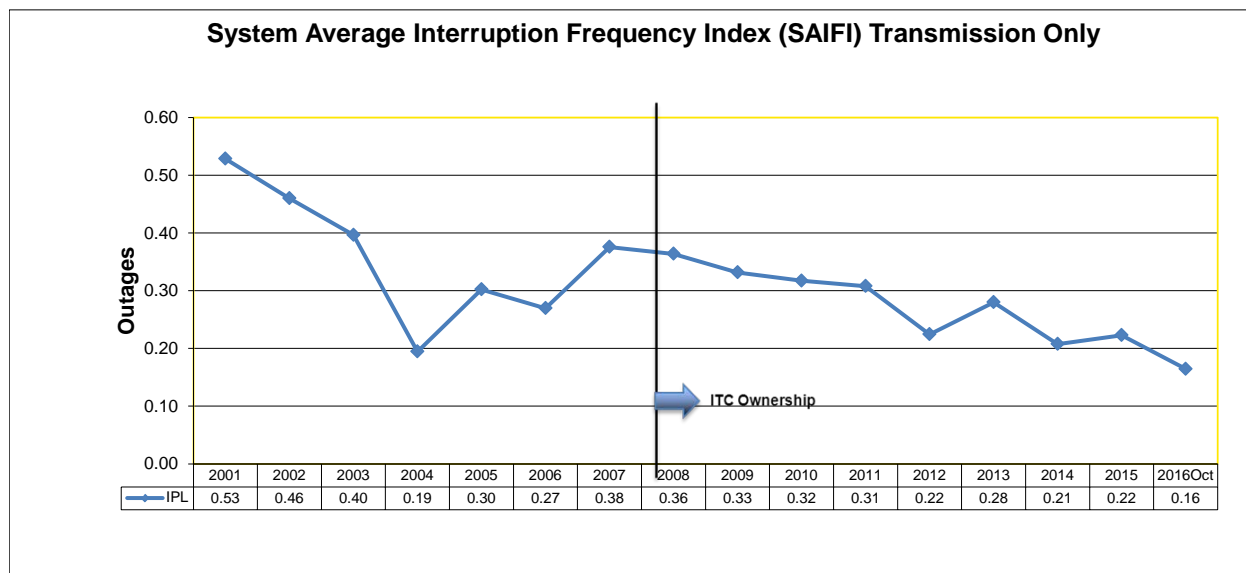
Industry standard measures of the customer outage experience (SAIDI and SAIFI; transmission only) are shown in Figures 3 and 4, updated by IPL through October 2016. These metrics provide a long term comparison of both reliability and restoration performance, since the data have been consistently collected by IPL before and after the transmission system sale to ITC-M. The data illustrates the customer reliability performance in terms of transmission only for the period through October 2016. While weather events can also greatly impact these measures, “major” events such as the 2007 ice storm and 2008 floods have been excluded using Board criteria. Consistent with the ITC-M Outage Performance data, IPL’s transmission SAIDI and SAIFI data illustrates a continued improvement and maintained trend of fewer and shorter sustained outages since the transmission asset purchase by ITC-M.



**Figure 3 – Transmission Reliability, SAIDI (System Average Interruption Duration Index) – Average length in minutes of outages for all customers.**



**Figure 4 – Transmission Reliability, SAIFI (System Average Interruption Frequency Index) – Average number of outages experienced by all customers.**



**Conclusions:**

Reliability and asset performance metrics have been updated with October 2016 year-to-date data and are shown in Figures 3 and 4, illustrating a continued, significant and maintained trend of fewer sustained and momentary transmission outages, as well as shorter durations.

## **8. Transmission Stakeholder Meetings**

### **Background:**

The Board's January 10, 2011 Final Decision and Order in Docket No. RPU-2010-0001, allowing IPL to implement Rider RTS, identified expectations for the working relationship between IPL, ITC-M, and other interested parties. Beyond compliance with the order, IPL views collaboration with these stakeholders as beneficial to process improvement and customer relations. Throughout the last several years, the meetings have served to educate and inform participants as well as offer a forum for dialogue and input.

### **December 2016 Updated Results and Activity:**

On December 5, 2016, IPL held its twelfth Transmission Stakeholder Meeting in Cedar Rapids, Iowa at the Indian Creek Nature Center.

Invitations were extended to IPL customers, customer consortium representatives, Board staff, OCA staff, and other stakeholders. With similar attendance to prior meetings; participating in-person were 17 IPL industrial customers, 2 customer consortium representatives, 2 Board Staff representatives, 2 OCA representatives, 4 ITC-M staff and various IPL staff. Similar to past meetings, the summary agenda included reviews of:

- Transmission Operations and Planning Update
- Transmission Policy & Regulatory Update
- Open Q&A Panel, Collaboration w/ IPL
- ITC-M Rate Update

During the Open Q&A Panel participants expressed interest in wind generation investments being made by IPL, incentives related to off-peak use, timing and mechanics of the ROE complaint refund, and generation retirements' impact on regional reliability. Special presentations included a briefing from ITC-M on *Grid Investment and Customer Benefits*, as well as briefings from IPL on our upcoming rate case.

The agenda and meeting presentation are attached to this Report as Appendix 1 and Appendix 2, respectively.

IPL will provide some additional detail to participants related to transmission costs and overall rates, on average, over the past 10 years, which was requested during the meeting.

### **Conclusions:**

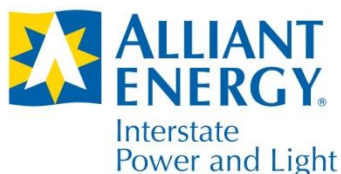
Based on participant feedback, the meeting was viewed very positively as an opportunity to receive useful information and updates and have an open dialogue. Participants were most interested in the presentation on rates and the rate case. They also expressed interest in the timing and mechanics of the ROE complaint refunds; as well as renewable energy project opportunities and incentive rates. IPL anticipates further discussions with stakeholders in the coming months on the topics of rate design, cost allocation, and rate mitigation.

# **9. Timetable of Events Influencing Transmission Rates & Service**

A timetable of upcoming selected events in 2017 influencing transmission rates and project planning is listed in Table 2.

**Table 2 – Timetable of events influencing transmission rates & service**

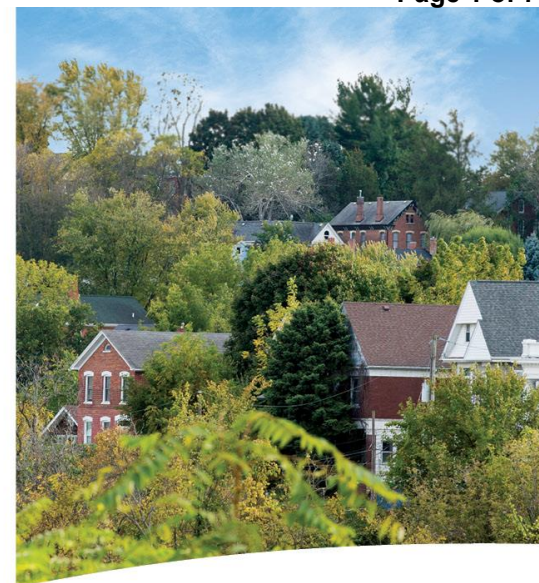
2017	Description
February	<ul style="list-style-type: none"> <li>• 2017 RTS effective February 1, 2017</li> </ul>
June	<ul style="list-style-type: none"> <li>• ITC-M 2016 True-Up amount posted</li> <li>• IPL Transmission Stakeholder Meeting</li> </ul>
July	<ul style="list-style-type: none"> <li>• End of MISO extension period to disburse ROE Complaint 1 refunds</li> </ul>
September	<ul style="list-style-type: none"> <li>• ITC-M 2018 Attachment O Rate posting</li> </ul>



**Transmission Stakeholder Meeting  
December 5, 2016  
Indian Creek Nature Center  
Cedar Rapids, IA**

**AGENDA**

Time	Topic	Presenters
8:00-8:30	<i>Arrival / Networking</i>	
8:30-8:40	Welcome & Introductions	Anne Lenzen, Director – Regulatory Affairs, Alliant Energy
8:40-8:50	Opening Remarks	Doug Kopp – President, Interstate Power and Light
8:50-9:30	Transmission Policy & Regulatory Update <ul style="list-style-type: none"> <li>• Activity at FERC and MISO</li> <li>• Advocacy for our customers</li> </ul>	Eric Guelker, Director – Transmission Policy and Sales Forecasting, Alliant Energy
9:30-10:00	Transmission Operations and Planning Update <ul style="list-style-type: none"> <li>• Recent activity with ITC</li> <li>• Status of MVP projects</li> </ul>	Chris Alva, Manager – Transmission Planning, Alliant Energy
10:00-10:30	MISO Cost Allocation Methodology	Mitch Myhre, Manager of Regulatory Affairs
10:30-10:45	<i>Break</i>	
10:45-11:15	Attachment O Rate Analysis <ul style="list-style-type: none"> <li>• IPL analysis of ITC rates</li> </ul>	Neil Michek, Manager of Financial Planning
11:15-12:00	Rates <ul style="list-style-type: none"> <li>• Rate Case update</li> <li>• Rider RTS outlook</li> <li>• Customer input</li> </ul>	Jason Nielsen, Manager of Regulatory Affairs
12:00-1:00	<i>Lunch</i>	
1:00-1:40	Modeling: The Value of Transmission	David Mindham, Analyst – Regulatory Strategy, ITC
1:40-2:00	Open Panel Q&A, Collaboration w/ IPL	<i>Panel:</i> Joel Schmidt, Eric Guelker, Joe McGovern <i>Moderator:</i> Anne Lenzen



# Welcome

## **Alliant Energy – Interstate Power & Light Co. Transmission Stakeholder Meeting**

Indian Creek Nature Center – Cedar Rapids, IA  
December 5, 2016



# Welcome & Introductions

**Anne Lenzen**

Director, Regulatory Affairs

Alliant Energy



# Opening Remarks

**Doug Kopp**

President, Interstate Power and Light  
Alliant Energy



# Transmission Policy & Regulatory Update

**Eric Guelker**

Director – Transmission Policy and Sales Forecasting

Alliant Energy





# Transmission Policy

## Federal Energy Regulatory Commission (FERC)

Primary regulatory agency that *develops and oversees* transmission policy

## Midcontinent Independent System Operator (MISO)

Primary transmission provider and organization (for IPL) that *implements* transmission policy

## ITC Midwest

Primary transmission owner in IPL service territory that works in conjunction with IPL and MISO to implement transmission policy

### Key Aspects of Transmission Policy

Federal & state energy policy objectives

Regional transmission planning & projects

Transmission infrastructure development & modernization

Transmission costs & cost allocation

IPL has and will continue to engage in transmission policy to advocate for IPL customers with ITC Midwest, MISO and FERC.

# Transmission Policy & Regulatory Key Issues

- ITC Bonus Depreciation Opt Out
- Transmission Return on Equity (ROE)
  - MISO ROE Complaints
  - Changes to ROE – ***Refunds coming!***
- Fortis Acquisition of ITC Holdings
- ITC-M Attachment FF / Network Upgrade Funding
- MISO Competitive Transmission Project



# ITCM Bonus Depreciation Opt Out

## Background

- In effect since 2008
- Allows first year 50 or 100% deduction of capital invested
- Congress extended through 2019
- Prevailing utility industry practice to use

## Issue

- ITC-M affirmatively opted out of using since 2009
- Increases ITC-M customer costs -- 2015 ITC-M transmission rate about 5% higher
- Impacts many ITC-M transmission assets including WPL Bent Tree Wind Farm upgrades

## Action

- WPL and IPL challenged at FERC
- FERC issued favorable rulings in March 2016 stating ITCM did not show opt out was prudent
- FERC required ITC-M to take bonus depreciation (BD) beginning in 2015

Bonus depreciation opt out impacts all ITC-M Holdings transmission company capital investments within an IRS asset class. Opt out increases costs for all transmission and many interconnection customers.

# ITCM Bonus Depreciation Opt Out

## After the FERC Orders (ER16-206 and ER15-1250 ) ...

April 2016: ITC-M filed rehearing requests

- FERC finding of imprudence in error
- Overreach of FERC authority to order ITC-M to take BD
- Taking BD in 2015 rates would result in normalization violation

April 2016: IPL and WPL responded to rehearing requests

- IPL and WPL argued taking BD in 2015 rates would not result in normalization violation
- IPL requested FERC reconsider its order and provide a remedy for ITC-M opt out prior to 2015

April 2016: Stakeholders support IPL response

- IUB/OCA, RPGI and ICC file at FERC in support IPL position that ITC-M should take BD in 2015 rates
- **Thank you to stakeholders for your support**

June 2016: FERC denied ITC-M rehearing requests

- FERC affirmed authority to review prudence and order ITC-M to take BD
- FERC denied IPL's request to provide remedy for ITC-M opt out prior to 2015

August 2016: ITC-M filed petition for review with DC Circuit Court

- Asked Court to review March and June FERC orders
- **IPL and WPL intervened; motions to intervene granted**

August 2016: ITC-M filed private letter ruling (PLR) request with IRS

- ITC-M asked IRS to determine if simulation of BD ordered by FERC would cause a normalization violation
- **IPL sent letter to IRS providing background and context on issue as an advocate for consumers potentially impacted by IRS ruling**

September 2016: ITC-M filed request to hold Court review in abeyance

- ITC-M requested review be held in abeyance pending outcome of PLR request from IRS
- **IPL and WPL filed responses with DC Circuit Court opposing ITC-M's request**

November 2016: DC Circuit Court held proceeding in abeyance

- In abeyance pending further order of the Court
- Parties directed to file motions to govern further proceedings within 30 days of IRS response to ITC-M PLR request

## Transmission Return on Equity (ROE)

- Scrutiny of ROEs has increased
  - Interveners believe ROEs should reflect “new normal” of lower interest rates and costs of capital
- Numerous complaints are pending at FERC and ROEs recently accepted by FERC are lower
- In June 2014, in response to ISO-New England ROE complaint, FERC issued Opinion No. 531.

### Opinion No. 531 Key Findings

Adopts the two-step DCF methodology for electric utility ROEs, also used to determine natural gas and oil pipeline ROEs

Places the ROE halfway between the midpoint and the top of the “zone of reasonableness” when “anomalous market conditions” are proven to exist during test period

Indicates total ROE (including incentives or adders) cannot exceed the top of the “zone of reasonableness”



# MISO Base ROE Complaints

Original Complaint  
(EL14-12)  
November 2013

- Reduce ROE from 12.38% to 9.15%
- Limit equity in capital for ratemaking to no more than 50%
- Eliminate incentive RTO and independence adders

FERC Order on  
Complaint  
October 2014

- Established ROE refund date of November 12, 2013
- Denied complaints requesting 50% equity contribution limit and eliminating incentive adders

FERC ALJ Initial  
Decision  
December 2015

- Reduce ROE to 10.32% -- midpoint of upper half of zone
- Cited anomalous capital market conditions and “illogical” to have ROE lower than most state-level ROEs

FERC Order on  
Initial Decision  
September 2016

- Final order (Opinion No. 551) affirmed ALJ initial decision
- 15-month refund period: November 2013 – February 2015
- Majority of refunds complete by end of Q1 2017

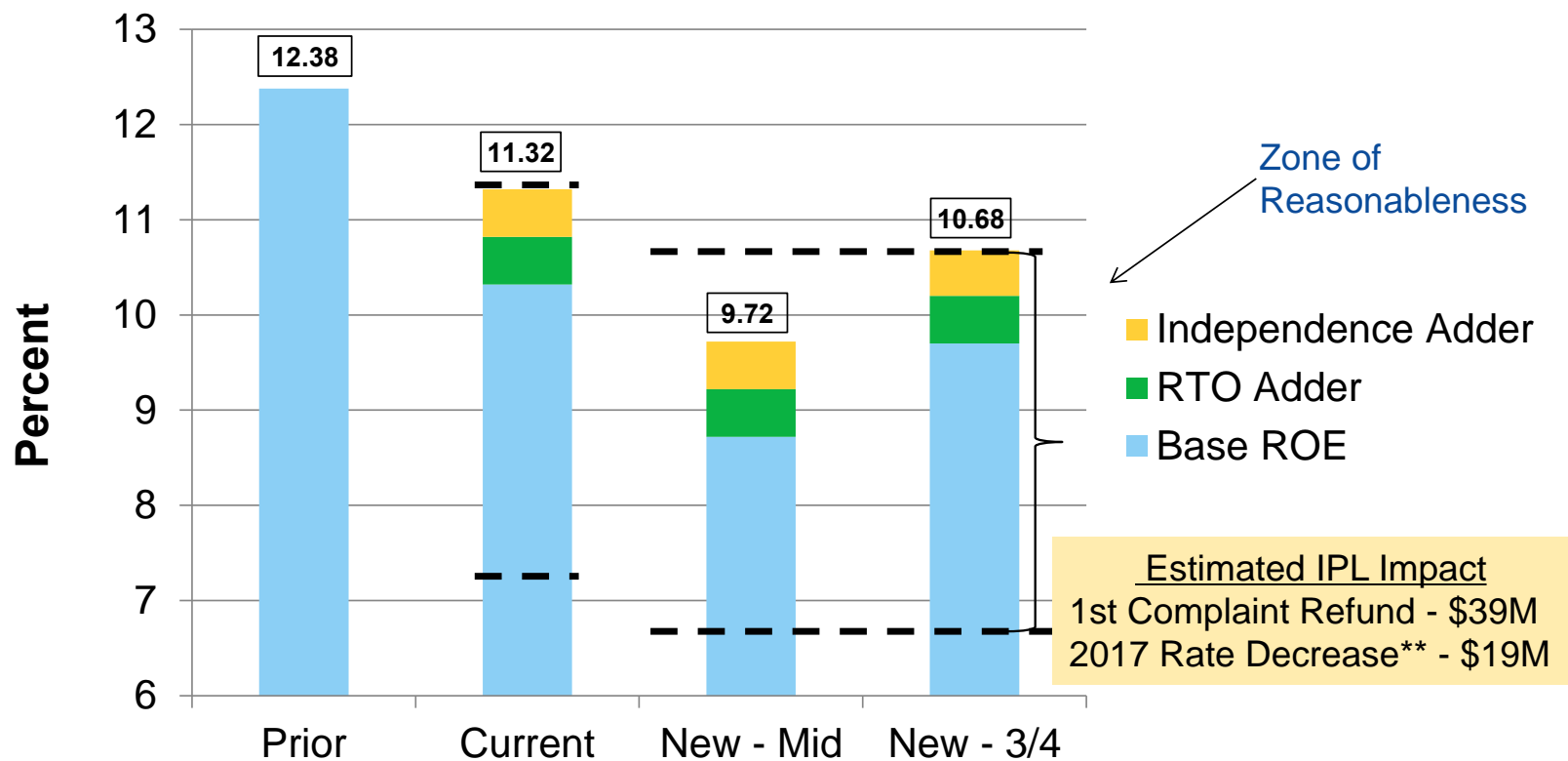
Second Complaint  
(EL15-45)  
February 2015

- Reduce ROE from 12.38% to 8.67%
- 15-month refund period: February 2015 - May 2016

FERC ALJ Initial  
Decision  
June 2016

- Reduce ROE to 9.70% -- midpoint of upper half of zone
- FERC final decision expected Q2 2017

# Potential Changes to ITCM ROE\*



**Each 1 percentage point (100 bps) change in ROE changes ITCM rate by about 5-6%**

\* Based upon 1st MISO Complaint FERC Final Decision (EL14-12) and 2nd MISO Complaint FERC ALJ Initial Decision (EL15-45)

\*\* ITC-M rate decrease from lower current ROE related to 1<sup>st</sup> MISO Complaint only – excludes impact of any complaint refunds



## Fortis Acquisition of ITC Holdings

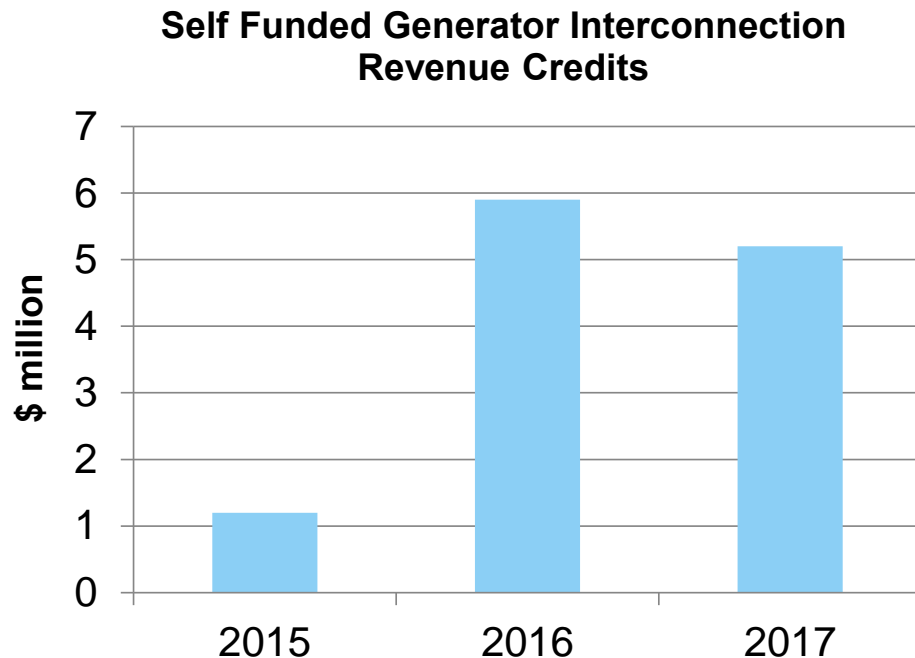
FERC unconditionally approved Fortis acquisition of ITC Holdings and its utility subsidiaries in September

- FERC considered effect on competition, regulation, rates and cross subsidization potential
- FERC dismissed other rate-related concerns as outside of approval scope including:
  - Current rates - ROE incentives - Capital structure - Formula rate inputs
- Fortis/ITC included “hold-harmless” commitment for transaction-related and transition costs
  - Fortis/ITC committed not to seek to recover these types of costs in rates at any time

FERC noted that any party wishing to challenge current ITC-M rates may do so in a FPA section 206 proceeding

## ITCM Attachment FF / Upgrade Funding

- Attachment FF requires generators, *instead of transmission customers*, to pay generation-related transmission network upgrade costs
- ITC-M is self-funding some upgrades\* and collecting costs from generators levelized over term of interconnection agreement



These revenue credits reduce ITC-M network transmission customer costs

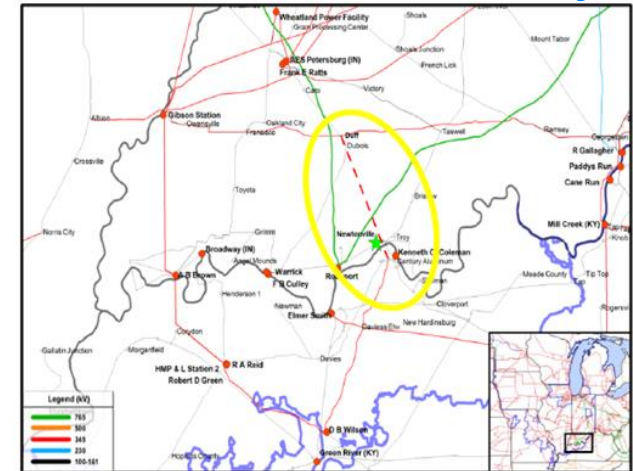
\* Recent order in FERC proceeding (EL15-68) eliminated unilateral right of transmission owners to self-fund upgrades

# MISO Competitive Transmission Project

*MISO is currently evaluating 11 proposals*

List of Respondents Providing Completed Proposals		
RFP Respondent(s)	(Sorted Alphabetically)	Proposal Participant(s)
Ameren Transmission Company of Illinois PPL TransLink, Inc.		N/A
Duke-American Transmission Company, LLC		N/A
Edison Transmission, LLC		N/A
GridAmerica Holdings, Inc.		N/A
ITC Midcontinent Development, LLC		N/A
Midcontinent MCN, LLC		Missouri Joint Municipal Electric Utility Commission
NextEra Energy Transmission Midwest, LLC		N/A
Republic Transmission, LLC		Big Rivers Electric Corporation, Inc.
Southern Indiana Gas and Electric d/b/a Vectren Energy Delivery of Indiana, Inc. Public Service Enterprise Group Inc.		N/A
Transource Energy, LLC		Transource Indiana, LLC Transource Kentucky, LLC
Xcel Energy Transmission Development Company, LLC		N/A

## Duff-Coleman 345 kV Project



Description	Value
Geographic Mileage*	~30 Miles
State(s) and Major River Crossing	Indiana, Kentucky, Ohio River

MISO will announce selected proposal by December 30, 2016

## Summary

- Successful outcome on bonus depreciation opt out is reducing 2017 projected and future ITC-M rates. IPL continues to pursue ensuring that IPL customers receive the maximum benefit as a result of ITC-M using bonus depreciation for 2015 and following years.
- Transmission ROE is decreasing.
  - ITC-M total ROE decrease of 1 - 2% is plausible
  - Refunds are coming in 2017 / 2018
- Fortis completed its acquisition of ITC Holdings. IPL currently has no plans to further pursue transaction-related issues.
- Changes to ITC-M's Attachment FF generator interconnection cost allocation policy, resulting from IPL's FERC complaint, have and will continue to reduce IPL customer transmission service costs.
- MISO is just about ready to select the winning bidder of its 1<sup>st</sup> competitive transmission project. IPL believes competitive transmission project development can lower future transmission service costs but its use must be balanced against the time, costs and complexities to administer it.



# Questions?



# Transmission Operations and Planning Update

**Chris Alva**

Manager – Transmission Planning

Alliant Energy



# MGS Capacity Accreditation

**All transmission upgrades and projects associated with MGS in the generator interconnection agreement (GIA) cannot be completed by plant in-service date (ISD)**

- *Identified transmission upgrades and projects will include regional multi-value projects (MVPs), some of this projects have ISDs no earlier than 2021*
- *Without all upgrades and projects complete, IPL cannot secure an unconditional GIA, which typically allows capacity to be accredited*

IPL must manage MGS during its initial 2 to 4 years of operation without all transmission upgrades and projects complete and without an unconditional GIA.



# MGS Conditional Transmission Projects

## CONTINGENT FACILITIES

• SE Twin Cities – Lacrosse 345 kV Line	In-Service
• Marshalltown Plaza Substation	12/31/2020
• Marshalltown Fletcher Substation	12/31/2019
• <i>Winco – Hazleton 345 kV Line (MVP 4)</i>	12/31/2018
• <i>Morgan Valley Substation</i>	5/1/2021
• <i>N LaCrosse – N Madison 345 kV Line (Section of MVP 5)</i>	12/31/2018
• <i>Nebraska City – Sibley 345 kV Line (SPP Project)</i>	12/31/2017

Source: Appendices A10 and A12, MGS GIA filed at FERC on March 4, 2016.

Source: Based upon information in the MISO MTEP16 Project list and SPP 2016 Transmission Expansion Project List.

# MGS Capacity Accreditation Update

## Initial Interconnection Agreement

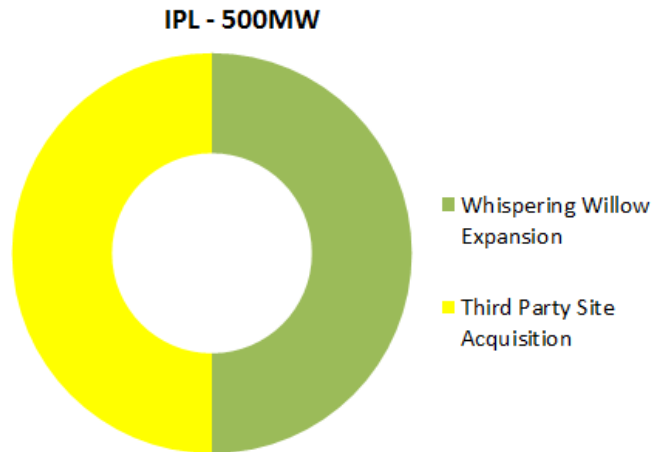
- MISO annual studies have cleared 500 MW of capacity for the 2017-2018PY
- IPL continues to work with MISO to accredit additional capacity up to 635 MW for the 2017-2018PY

## Second Interconnection Request

- IPL has requested additional 30 MW of capacity and 65 MW of energy to be studied as part of the FEB 2016 DPP



# Alliant Energy Wind Development



- IUB approval of 500 MW; construction to begin in 2018
- Site acquisition progressing well for sites in Iowa



## Sutherland Steam Unit 3 Status

- Sutherland Steam Unit 3 accounts for approximately 80 MW Net of generation
- On July, 2016 Sutherland Steam 3 went into forced outage status due to equipment failure
- IPL has submitted a retirement notification to MISO for Sutherland Steam Unit 3
- Sutherland Steam Unit 3 will remain in forced outage status until May 31, 2017, and then it will transition into retirement as of June 1, 2017



## MISO Illinois Generation Retirement Sensitivity

- MISO removed approx. 4781 MW of Nuclear Generation including the Quad Cities and Clinton facilities
- MISO found no thermal or voltage issues
- Results are consistent with MTEP16 reliability analysis results and PJM deactivation analysis of the Quad Cities and Clinton nuclear facilities



# Questions



# MISO Transmission Cost Allocation and Criteria Review

**Mitch Myhre**

Manager of Regulatory Affairs

Alliant Energy





## Overview

**Multi-year effort underway to holistically review current MISO transmission cost allocations and criteria in place to determine :**

- 1) if they are appropriate or are generally too conservative;
- 2) if and to what extent they may cause barriers to cost-effective and beneficial transmission investment; and
- 3) if modifications are appropriate given the changing planning environment.

**Discussions of issues ongoing in MISO stakeholder Process**

**Initial proposal for review to be provided by MISO in December 2016**

**2019 targeted effective date for changes**

## Drivers for Review

- **Evolving environment**
  - MISO South integration
  - Policy changes (e.g. Order 1000)
  - Generation portfolio shift
- **Periodic review for effectiveness and appropriateness**
- **Apply experience in application and planning**



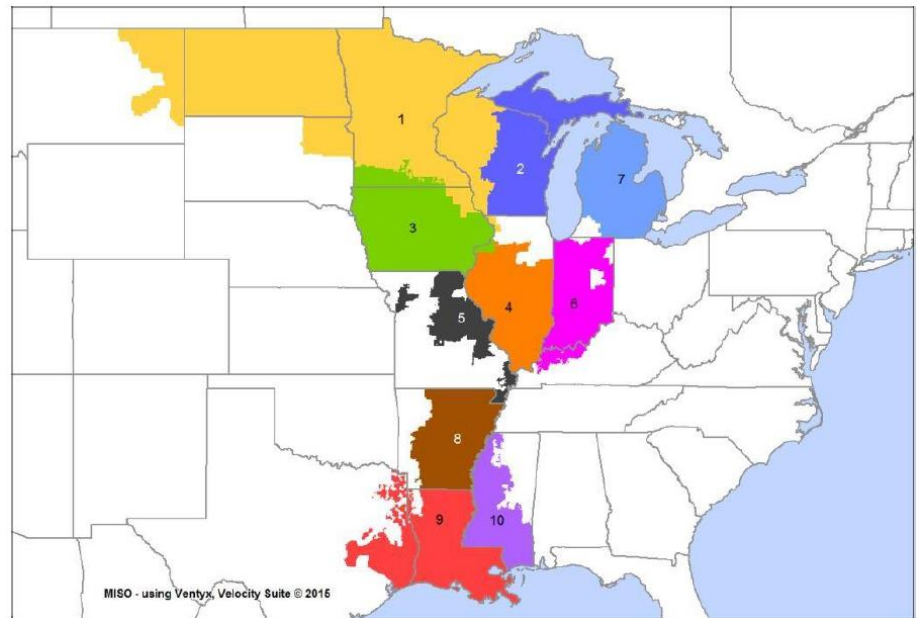
## Current Cost Allocation

<b>Multi-Value Project (MVP)</b>	<ul style="list-style-type: none"> <li>- Address energy policy laws and/or provide widespread benefits across footprint.</li> <li>- 100% postage stamp to load.</li> </ul>
<b>Market Efficiency Project (MEP)</b>	<ul style="list-style-type: none"> <li>- Reduce market congestion - 1.25 benefit ratio.</li> <li>- 345 kV &amp; above: 80% distributed to LRZ commensurate with expected benefit, 20% postage stamp to load.</li> </ul>
<b>Baseline Reliability Project (BRP)</b>	<ul style="list-style-type: none"> <li>- NERC Reliability Criteria.</li> <li>- Paid by local pricing zone.</li> </ul>
<b>Generation Interconnection Project (GIP)</b>	<ul style="list-style-type: none"> <li>- Interconnection request.</li> <li>- Primarily paid for by requestor; 345 kV &amp; above 10% postage stamp to load.</li> </ul>
<b>Other</b>	<ul style="list-style-type: none"> <li>- Does not qualify for other cost allocation mechanisms.</li> <li>- Paid by requestor (local pricing zone).</li> </ul>



## Current Areas of Focus

- MEP voltage threshold and criteria
- Footprint wide cost allocation
- Granularity of cost allocation
- MVP cost allocation to new members



## MEP Voltage Threshold

### Issue

- Current 345 kV criteria introduces a risk that beneficial lower-voltage economic projects could be overlooked.

### IPL Position

- Support evaluating lowering the voltage threshold while also considering the appropriate cost allocation for lower voltage projects.

### Why

- Projects below 345 kV can provide benefits to more than one pricing zone; lowering the MEP threshold could provide a means to allocate the costs of projects to a broader set of benefiting areas.



## Additional Benefit Metrics

### Issue

- Only MEP benefit evaluated is Adjusted Production Cost (APC).
- Projects may provide other benefits that are not being considered such as reliability and public policy benefits.

### IPL Position

- Benefit metrics should be investigated which includes reviewing if the current APC benefit is being used appropriately.
- IPL is not currently advocating for any specific metrics to be added.

### Why

- A complete review of how well the current metric is working is necessary before new metrics can be properly considered.



## Footprint Wide Cost Allocation

### Issue

- The MISO footprint has increased in size with the MISO South integration and is driving a need to reconsider allocating costs over the entire region.

### IPL Position

- A portion of MEP and MVP costs should continue to be allocated equally over a broad region; however, new multiple regions should be defined and used.

### Why

- Allocating some 345 kV project costs broadly accounts for benefits provided to a larger area and beneficiaries changing over time. Transfer restrictions in the footprint warrant defining new areas for allocation.





## Granularity of Cost Allocation

Issue	<ul style="list-style-type: none"> <li>Local Resource Zones (LRZs) used for cost allocation can contain a number of Transmission Pricing Zones (TPZs); allocation of costs at the LRZ level may not result in costs being allocated commensurate with benefits received in each TPZ.</li> </ul>
IPL Position	<ul style="list-style-type: none"> <li>Transmission costs should be allocated as locally as possible. MISO should explore methods to allocate costs more granularly.</li> </ul>
Why	<ul style="list-style-type: none"> <li>Allocation of costs at the LRZ level can result in some TPZs receiving costs not in line with the benefits received.</li> </ul>



## New Member MVP Cost Allocation

### Issue

- MISO has proposed removing the requirement for new members to pay MVP costs to eliminate this as a barrier for new members to join.

### IPL Position

- The allocation of MVP costs to new members should be considered on a case by case basis. MISO should not completely remove this requirement for new members.

### Why

- If new members receive benefits from MVPs they should share in the costs and if the benefits of a new member joining outweigh MVP cost sharing an exemption can be applied.

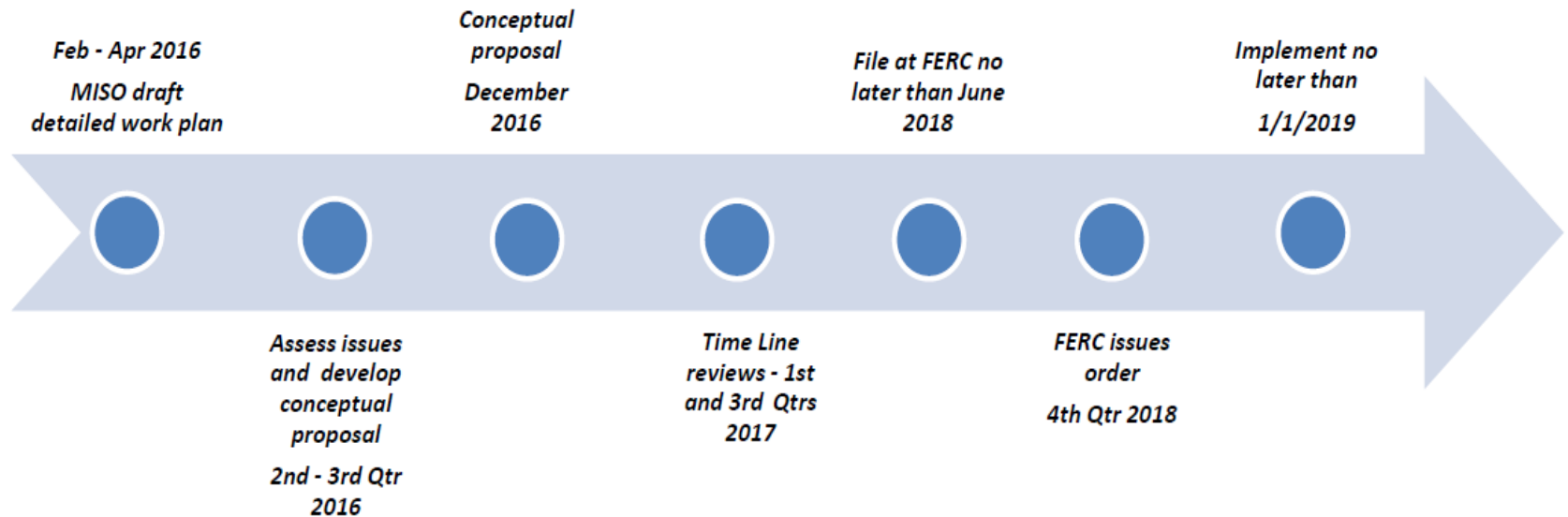


## Other Considerations

- **Unintended consequences**
  - Cost shifting from generation interconnection customers to transmission customers
  
- **Support of changes by representative studies and analysis**
  - Need to go beyond academic discussions
  - False precision
  
- **Impacts on transmission planning process**



# Timeline and Next Steps



# Questions



- Break -



# Attachment O Rate Analysis

**Neil Michek**

Manager of Financial Planning

Alliant Energy





## IPL 2017 vs 2016 Transmission Costs

	\$M
Schedule 9 Network Service	\$ 11.4
Schedule 26A - Multi-Value Projects (MVP)	\$ 6.7
Generator Interconnection - Marshalltown	\$ 2.1
Other	\$ 1.5
Total IPL Incurred Cost Change	\$ 21.7



## 2017 Transmission Costs

	\$M	3-Yr Average Change
Schedule 9 Network Service	\$ 301.6	3.50%
Schedule 26 - Shared Network Upgrades	\$ 23.0	-1.6%
Schedule 26A - Multi Value Projects	\$ 21.4	56.2%
Generator Interconnection - Marshalltown	\$ 2.3	New
All Other	\$ 15.9	-1.7%
	\$ 364.3	4.6%
Note: The above excludes any refunds from ROE Complaints		
Note: The above excludes impacts of RTS true-ups.		



## ITC-Midwest: 2017 Rate vs 2016 Rates

	\$M	MW	\$ / kW-Month
2016 ITC-M Attachment O	\$ 339.9	2,945	\$ 9.618
Impact of ROE Change	\$ (19.2)		
Impact of Bonus Depreciation (Approximate)	\$ (18.5)		
Increased Rate Base and Operating Costs	\$ 31.2		
Difference in 2017 True-up vs 2016 True-Up	\$ 6.1		
2016 CIAC Refund - 1 Time Event	\$ 6.6		
Expiration of Rate Discounts	\$ 4.1		
2017 ITC-M Attachment O	\$ 350.2	2,926	\$ 9.973
Percent Change			3.7%



## IPL Efforts Through Audit Protocols

- 2015 True-Up:
  - Focus has been upon ITC-M implementation of Bonus Depreciation
- 2017 Forecasted Rate:
  - Several areas of focus:
    - Bonus Depreciation
    - O&M
    - Depreciation Expense
    - Generator Interconnection Credits
- Deadlines:
  - Questions Submitted: December 1, 2016
  - Informal Challenge: January 31, 2017
  - Formal Challenge: April 15, 2017



# Rates

**Jason Nielsen**

Manager of Regulatory Affairs – Pricing  
Alliant Energy



## Rate case 2017

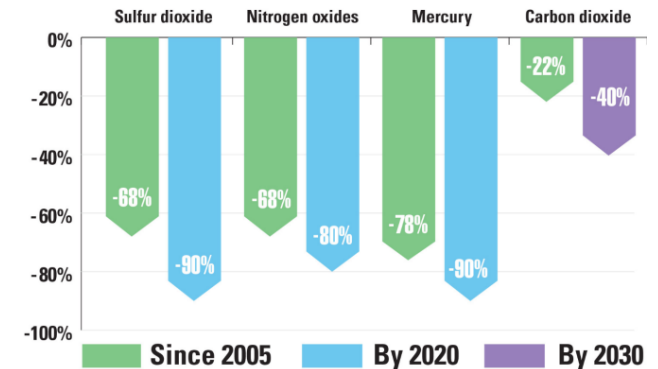
- Base rate freeze 2011 through 2016
- Timing of filing is April 2017 (estimated)
  - Interim rates effective mid-April 2017
  - Final rates effective in 1Q 2018
- Includes
  - Marshalltown Generating Station
  - Investments in clean energy
  - Power grid and distribution system investments
  - Customer solutions and rate mitigation measures
- How can customers get engaged?



## Advancing clean energy

- Making air cleaner through investments in natural gas and emission controls
  - Transitioning our generating fleet
  - Reduced mercury by 72%, sulfur dioxide by 64%, nitrogen oxide by 40% and carbon dioxide by 21% (2011 to 2015)
- Since 2010, we have converted or are converting generating facilities in Cedar Rapids, Clinton, Dubuque and Marshalltown to natural gas
- By 2024, Alliant Energy will have invested \$6 billion over 18 years to significantly reduce our environmental impact

### Reducing our environmental impact



## Modernizing the power grid

- Investing \$1 billion over the next four years to modernize the power grid and to support national grid security and other efforts
- Making enhancements to system to enable customers' desire for more connection and control
- Upgrading system is critical to ensuring continued reliability while helping to accommodate more distributed energy resources





## Providing customer solutions

- Solutions for your business
  - Energy-saving programs
  - Sustainability goals
  - Energy partner for exploring options
- Enabling technologies
  - New customer information and billing system (2016)
- Identified rate mitigation measures
  - Additional tax savings projects to share
  - Lower transmission returns will reduce transmission expense
  - Worked with ITC-Midwest to reduce costs for MGS transmission interconnection



### **Business Programs**

**Business Energy Assessments**

**Equipment Rebates**

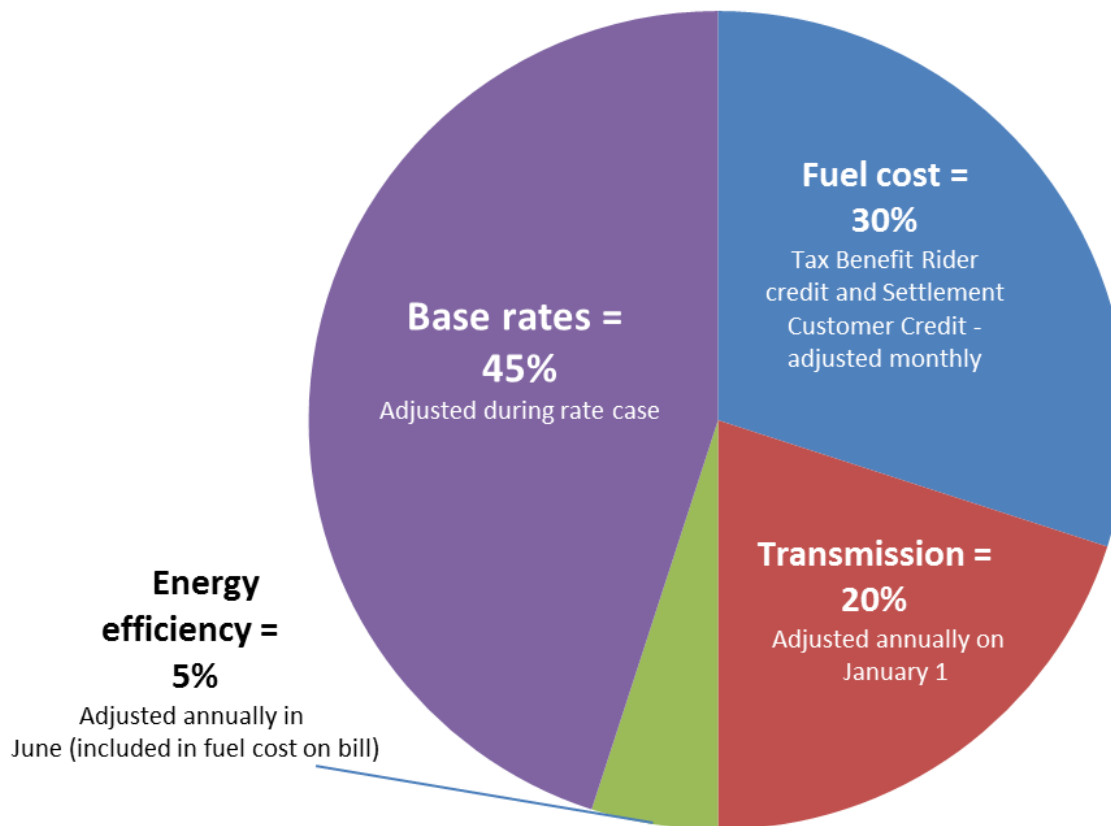
**Custom Rebates**

**Commercial New Construction**

**Industrial New Construction**

**Interruptible**

## Bill breakdown



*\*Represents typical Large General Service bill breakdown.*

## Budgeting Guidelines vs. Prior Year

Bill Component	Frequency of Change	2016 Bill Impact	2017 Bill Impact	2018 Bill Impact
Base Rates	Rate Case	No change	5%	4%
Fuel Cost	Monthly Adjustment	-1%	2%	-1%
Transmission	Annual Adjustment	2%	0%	-4%
Tax Benefit Rider	Annual Adjustment	1%	-2%	6%
Customer Credit	Annual Adjustment	1%	0%	0%
Energy Efficiency	Annual Adjustment	No change	No change	No change
<b>Total Bill</b>		<b>3%*</b>	<b>5%*</b>	<b>5%*</b>

\*Estimation Range = +/-2% for 2017, +/-3% for 2018

## Rider RTS

- Transmission aka Regional Transmission Service (RTS)
- New factor proposed February 1, 2017
  - Proposed 2017 RTS factor remains similar to 2016 factor

RTS Factors	2016	2017 (proposed)
General Service	\$0.02837 / kWh	\$0.02839/kWh
Large General Service	\$7.99 / kW	\$7.99/kW

2016							2017	
Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb

ITC-Midwest  
reconciles  
2015 costs

ITC-Midwest  
projects 2016  
costs

Alliant Energy  
reconciles  
2016  
transmission  
factor balance

RTS Factors  
filed with IUB  
for approval

RTS Factors  
in effect

- Lunch -





# ***Grid Investment and Customer Benefits***



**David Mindham**

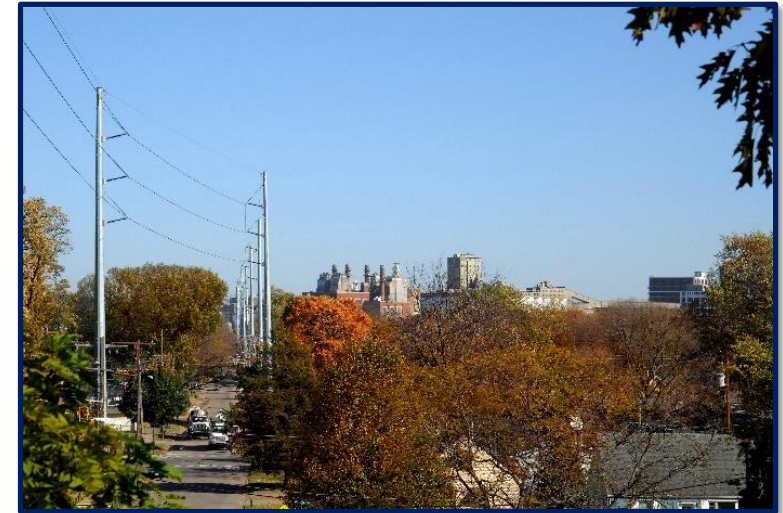
# Executive Summary

- **ITC's Approach to Grid Investment**
- **Why Study the Benefits**
- **What was Studied**
- **The Results**
- **A National Perspective**

# Our Commitment Since Inception

## **Deliver customer benefits unique to ITC's business model:**

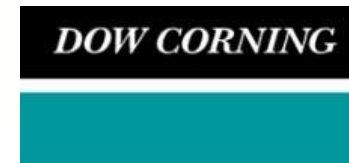
- Improve and maintain system reliability
- Reduce system congestion
- Expand access to competitive energy markets
- Facilitate interconnection of new generation
- Lower overall cost of delivered energy



**The challenge: Quantifying customer benefits**



# ITC's Grid Investment | Customer Focus



# ITC's Grid Investment | Singular Focus

## Singular Focus

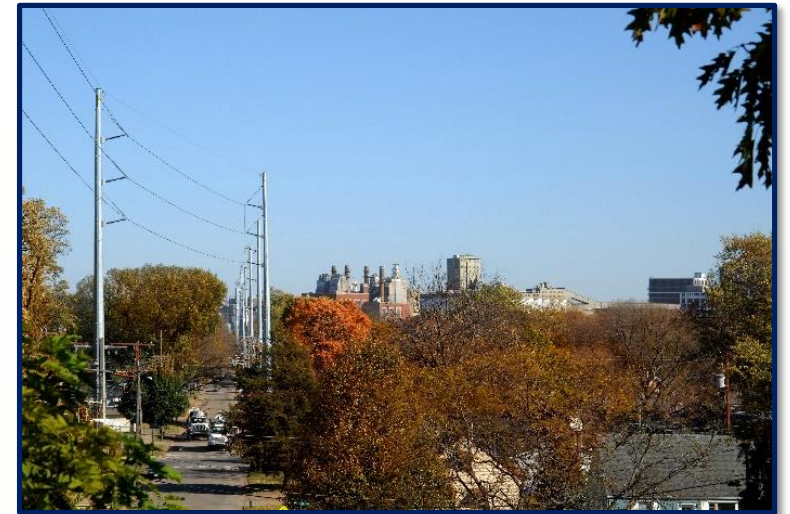
- System investment and drive value to customers
- Frequent and proactive customer engagement

## Forward Looking

- Investment is not a linear function
- Many transmission assets have lifespans of 40 – 70 years
- Must consider needs of today while planning for the future needs and policy goals

## Interconnections

- Expand access to competitive energy markets
- Actively and collaboratively engage customers



# ITC's Grid Investment | Maintenance Practices



## System Maintenance: Critical to Reliability

Comprehensive preventative maintenance programs bring quantifiable increases in reliability:

- Drive continuous improvement on performance, cost and care for the systems
- Ensure components affecting reliability get the proper maintenance
- Complete 100% of the maintenance every year
- Practice a “find it, fix-it” mentality

# Grid Investment | Why Study?

## Understanding “benefits”

- Not just keeping the lights on

## Transparency

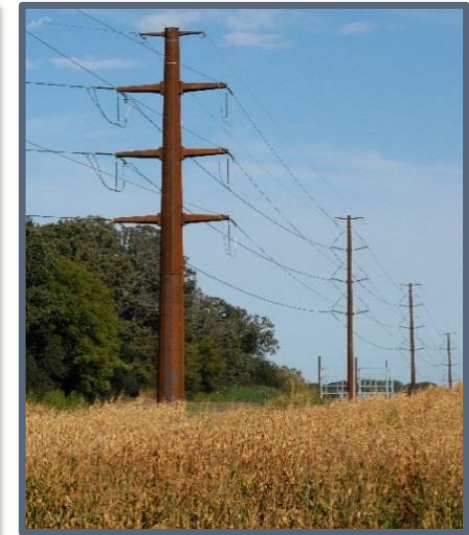
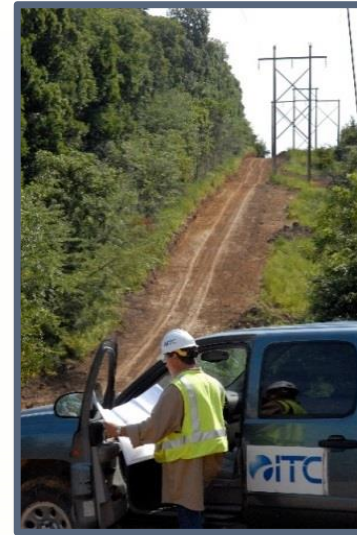
- Cost
- Benefits

## Study challenges

- Quantifiable
- Assumptions required

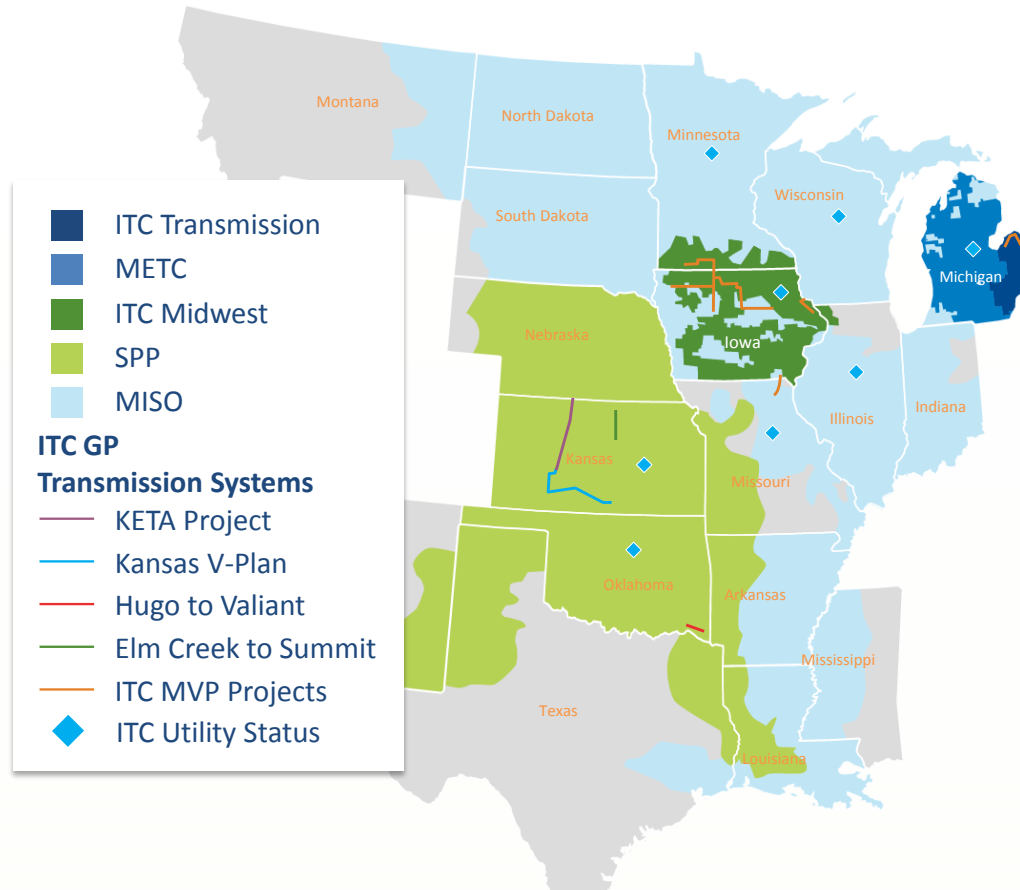
## Accountability

- Measure results over time



# Where we Studied | Our Footprint

## 4 REGULATED SUBSIDIARIES IN 8 STATES



- 15,700 Circuit miles
- 90,000 Square mile service territory
- 600+ Employees making a difference
- Member of 4 RTOs



# Where we Studied | ITC Midwest

- Established 2007
- Service Territory – Iowa, Minnesota, Illinois, Missouri
- Transmission Lines – ~6,600 circuit miles
- Substations – 271
- Reduced the average number of outages on its system by 45% since ITC acquired the assets.
- Completed 26 new generator interconnections, adding 2,650 megawatts of wind energy production capacity to the grid.



# What Was Studied?

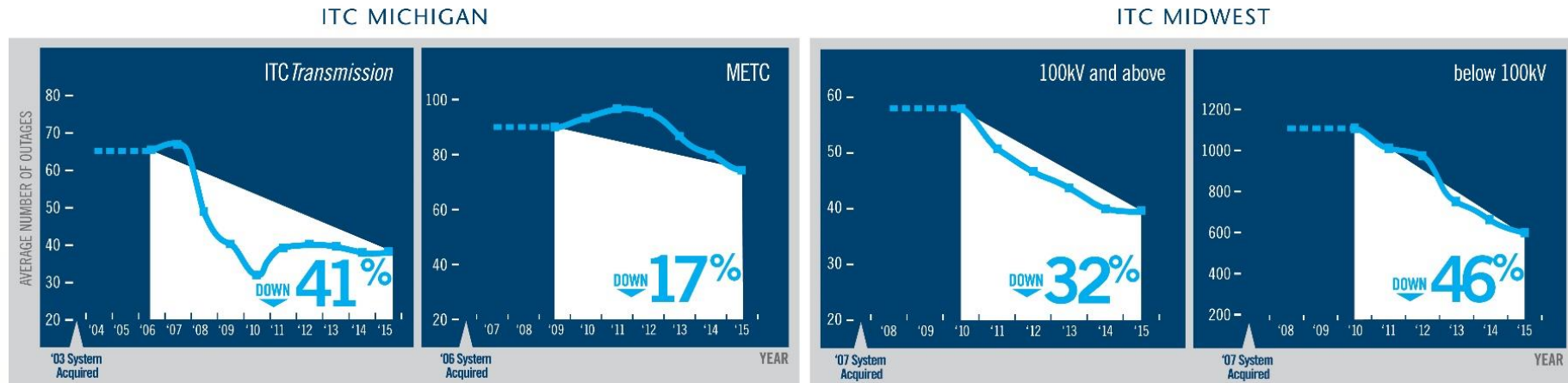
**ICF conducted an analysis on our approach to transmission investment, then calculated these incremental benefits to customers:**

- System Reliability
- Market Efficiency
- Renewable Energy



# ITC Value | System Reliability

## OUTAGE DECREASE UNDER ITC OWNERSHIP 3-year rolling averages



ITC has steadily reduced the average number of outages on the three transmission systems we have acquired beginning in 2003.



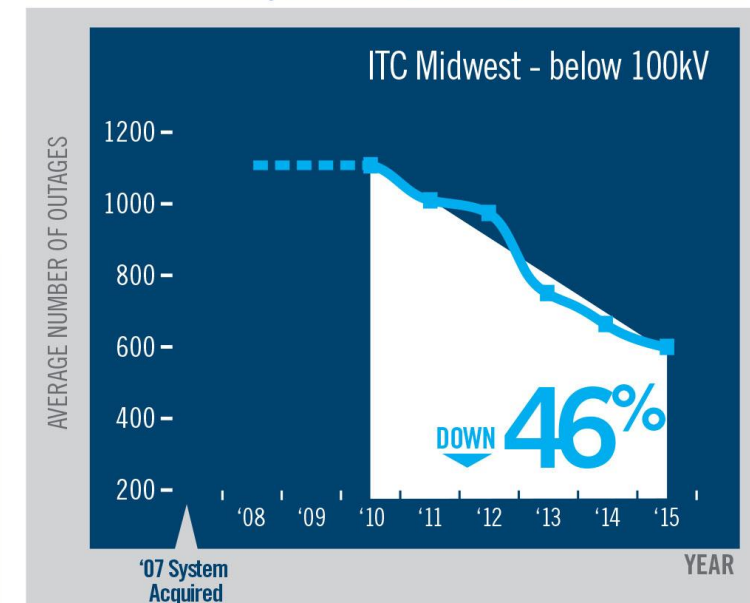
# ITC Value | System Reliability

**What ICF studied:** Improvement in system performance attributed to ITC's capital investment and maintenance practices. Outage below 100kV has a direct customer effect.

**Customer benefit:** These projects saved customers \$98 million between 2008 and 2014 alone.

*“Electric power outages and blackouts cost the nation about \$80 billion annually.”* – Berkeley Lab/U.S. Department of Energy

OUTAGE DECREASE UNDER ITC OWNERSHIP  
3-year rolling averages



# ITC Value | Market Efficiency

**What ICF studied:** Two system models were developed, an ITC case and non-ITC case. The non-ITC case excluded project were only constructed due to ITC's approach to transmission investment

Modeled the Adjusted Production Cost (APC) of each scenario

Project Name	ITC Case	Non-ITC Case
Hazleton - Salem 345 kV line with a 2nd Salem 345/161 kV 448 MVA transformer.	Yes	No
Quad Cities-Rock Creek-Salem 345 kV line	Yes	Yes
Rock Creek 345/161 kV transformer	Yes	Yes
Heron Lake-Lakefield 161kV line rebuild	Yes	No
Arnold-Vinton-Dysart-Washburn 161kV Reconductor	Yes	No

# ITC Value | Market Efficiency

***Customer benefit:*** ITC's recently-constructed transmission projects saved customers in the MISO region **\$714 million** between 2010 and 2015 alone in reduced energy production costs due to decreased system congestion, according to the ICF study.

- Savings to Midwest customers: **\$172 million**
- Savings to Michigan customers: **\$111 million**



# ITC Value | Renewable Energy

ITC has connected more than 5,200 megawatts of wind energy production capacity to the grid in Iowa, Minnesota, Michigan, Kansas and Oklahoma.

***Customer benefit:*** Our investments in transmission projects across the ITC Michigan and ITC Midwest footprints enabled wind farms to be optimally located:

- Michigan projects saved customers approximately **\$250 million** in avoided renewable energy investment.
- Midwest projects saved customers approximately **\$337 million** in avoided renewable energy investment.



# ITC Value | Aggregated Results

## All Systems

~\$1.4 Billion: Benefits accruing to all customers in all regions where ITC operates, resulting from ITC philosophy on system investment

## ITC Midwest

~\$610 Million: Benefits accruing directly to ITCMW customers from ITC investment philosophy

## Not Studied

- Benefits accrued from ITC's approach to planned outages congestion management
- Benefits accrued from reduced outage on the EHV transmission system



# Valve of Transmission | Other Perspectives

## ASCE Infrastructure Report Card

*Among all infrastructure, electricity has the largest total funding needs and the largest funding shortfall.*

- American Society of Civil Engineers  
May 2016

American Society of Civil Engineers (ASCE) Infrastructure Report Card gives the Grid a D+ rating.

### Economic Impacts of Failing to Invest in the Grid

	2016-2025	2026-2040
Business Sales	\$1.4 trillion	\$2 trillion
GDP	\$816 billion	\$1.1 trillion
Jobs	102K fewer by 2025	242K fewer by 2040
	2016-2025	2016-2040
Investment Gap	\$177 billion	\$565 billion

All totals in constant 2015 value, other than jobs.

# Valve of Transmission | Other Perspectives

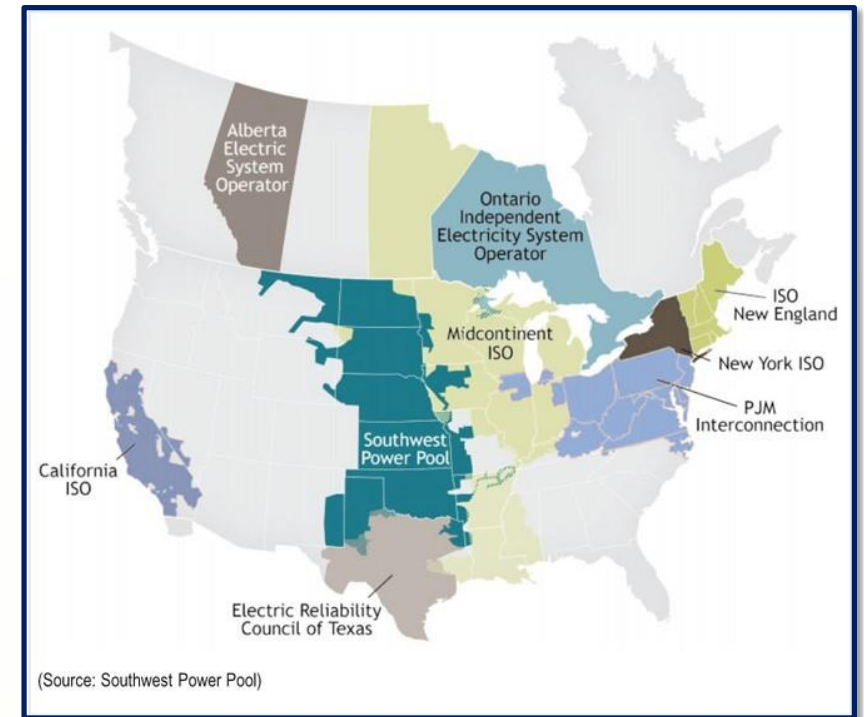
## *Customer Savings via Smart Planning*

Transmission planning reforms could save electricity customers as much as **\$47 billion** annually.

**Today:** Traditional RTO planning is focused primarily on reliability and incremental fixes.

**Call for reform:** The rapidly evolving energy landscape – shift in generation mix, emerging technology and environmental regulation – requires a new approach.

**What's needed:** More proactive, anticipatory approach to transmission planning at RTOs to address long-term uncertainties.





# Value of Transmission | Other Perspectives

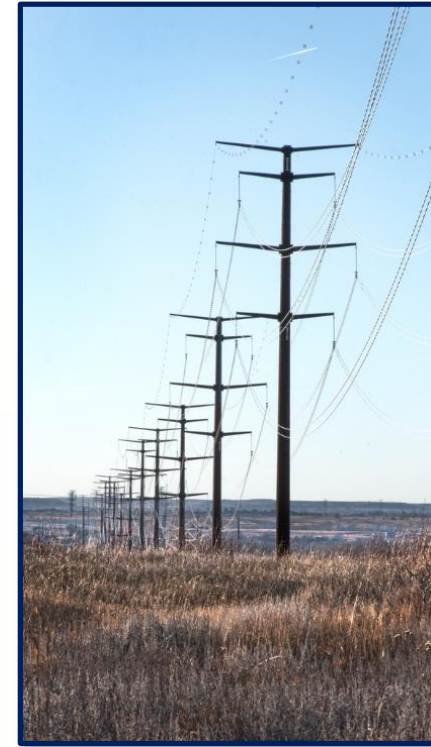
## ***Benefit-to-Cost Ratio: 3.5-to-1***

**Studied:** 348 electric transmission upgrades and construction projects in Southwest Power Pool (home of ITC Great Plains) totaling almost \$3.4 billion of capital investment from 2012-2014.

**Conclusion:** Customer benefits are expected to exceed \$16.6 billion over a 40-year period, resulting in a benefit-to-cost ratio of at least 3.5 to 1.

### **Quantified benefits flowing to customers:**

- Reliability and resource adequacy benefits
- Generation capacity cost savings
- Reduced transmission losses
- More optimal wind development facilitated by the transmission upgrades



***Every dollar invested in transmission will return \$3.50 in value to the SPP region over the transmission facilities' lifespan.***



# TOWARD A BETTER, STRONGER GRID

Ensuring the connection between consumers and the energy they need is efficient, reliable and cost-effective.

Evolving energy landscape. Transmission's backbone role in electricity delivery must be factored into planning the grid of the future.

## **ITC's commitment:**

- Good stewards of the grid
- Respect for the environment
- Assess development opportunities from the perspective of what is good for customers and the grid



# Questions?

**[dmindham@itctransco.com](mailto:dmindham@itctransco.com)**

**248-946-3278**



# IPL Open Panel: Q&A, Collaboration

## **Panel**

Joel Schmidt, Vice President – Regulatory Affairs

Eric Guelker, Director – Transmission Policy & Sales Forecasting

Joe McGovern, Director – Electrical Engineering & Planning

## **Moderator**

Anne Lenzen, Director – Regulatory Affairs



## Recent / Upcoming Transmission Activities

- **August 30, 2016** – ITC-M posted 2017 Attachment O Rate
- **September 28, 2016** – FERC Order (Opinion 551) on ROE Complaint #1
- **October 7, 2016** – ITC-M posted revised 2017 Attachment O Rate
- **November 17, 2016** – RTS Factors filed with Board
- **December 1, 2016** – ITC-M posted 2<sup>nd</sup> revised 2017 Attachment O Rate and revised 2015 True-Up
- **December 5, 2016** – Semi-Annual Transmission Stakeholder Meeting
- **December 21, 2016** – IPL Semi-Annual Transmission Report filed with the Board
- **Late Jan / Early Feb 2017** – 2017 RTS Factors approved and in effect
- **Early June 2017** – IPL Transmission Stakeholder Meeting
- **June 1, 2017** – ITCM 2016 True-Up posted
- **June 30, 2017** – IPL Semi-Annual Transmission Report due to IUB
- **September 2017** – ITC-M 2018 Attachment O Rate posting



## Summary

Alliant Energy has developed, implemented and continues to implement a strategy that incorporates active engagement with ITC Midwest, including within state, regional, and federal fora, to ensure that transmission investments provide value to Alliant Energy customers. As a result, our customers experience increased system reliability, resiliency and increased market access.



## Who to contact at Alliant Energy?

- **Your Key Account Manager**

“One Call Does All” – IPL continues to be the main point of contact for our customers for all issues, including transmission service.

- **Or**

Eric Guelker

Director – Transmission Policy and Sales Forecasting

608-458-8163

[ericguelker@alliantenergy.com](mailto:ericguelker@alliantenergy.com)

Mitch Myhre

Manager – Regulatory Affairs

608-458-6273

[MitchellMyhre@alliantenergy.com](mailto:MitchellMyhre@alliantenergy.com)

Presentation will be e-mailed to attendees.

**Thank you and please travel safely!**

